ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 175 Number 5080 New York, N. Y., Thursday, January 10, 1952 Price 40 Cents a Copy

EDITORIAL

As We See It

How fortunate this country—and the world—would be if there were in the White House today a leader with Calvin Coolidge's homely and, we are afraid, outmoded instincts for prudence in the expenditure of taxpayers' money. How doubly fortunate were this occupant of the highest office of the land likewise able and disposed to use effective influence in inculcating the same sound spirit in those who manage State and local governmental affairs.

Thoughts such as these must have been inspired in many a mind whose experience reaches back two or three decades, by the almost unanimous cries that are coming not only from Washington but from State after State capital and from almost innumerable municipalities and other minor civil divisions complaining that more and more taxes are essential if the two ends of their financial affairs are to be brought together, or warning that large borrowings are in prospect.

Believe it or not, throughout most if not all of the 'Twenties, Federal outlays had been so reduced from the World War I level and State and local outlays had so grown that it was then at this lower level of government that the taxpayers were being bled the worst. Unfortunately, the current wealth of statistics—for what they may be worth—do not extend far enough into the past for some of the comparisons that would be of interest, but in the matters to which we have occasion now to refer it is highly probable that the 1929 data are reasonably representative of most of the decade preceding that date.

Continued on page 30

Truman Warns of Grave Peril of War

In message to Congress on State of the Union, President reiterates nation's need for stern course of continued high taxes, further military expansion, stricter wage and price control, reduced civilian goods, and extension of foreign aid. Demands no sacrificing of Federal social aid projects.

President Harry S. Truman on Jan. 9 delivered in person his annual message to Congress on the State of the Union, in which he asked for continuation of rearmament and of foreign aid to free nations to repel Communist aggression. The President warned that there is a "very real" threat of war, and he charted a stern course of greater military expansion, stepped up wage-price control, and continuation of high taxes.

President Truman

The following is the full text of the President's message:

Mr. President, Mr. Speaker, members of the Congress:

I have the honor to report to the Congress on the State of the Union.

At the outset, I should like to speak of the necessity for putting first things first as we work together this year for the good of our country.

The United States and the whole free world are passing through a period of grave danger. Every action you take here in Congress, and every action I take as President, must be measured against the test of whether it helps to meet that danger.

This will be a Presidential election year — the kind of year in which politics plays a larger part in our lives than usual. That is perfectly proper. But we have a great responsibility to conduct our political fights in a manner that does not harm the national interest.

We can find plenty of things to differ about without destroying our free institutions and without abandoning our bi-partisan foreign policy for peace.

When everything is said and done, all of us—Repub-

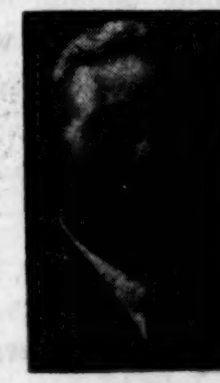
Continued on page 38

The Economic Outlook

By NEIL CAROTHERS*
Dean Emeritus, School of Business Administration
Lehigh University

Economist, upholding the "business cycle" theory and asserting a great war creates a cycle of its own, points out war booms usually end in depressions. Expresses view nation is now balanced between depression and further inflationary prosperity. Lists as three curses to our economy: (1) group greed; (2) economic ignorance in government; and (3) political demagoguery.

What is the economic outlook? The only honest answer to that question is—no man knows. Strange, sinister, brutal and unprecedented forces are loose in the world—everywhere in the world—in every city, in every state, in every nation. You all know that throughout the six thousand years of the recorded annals of mankind there have been strange alternations of periods of peace, order and quiet, alternating with periods of blood and tears, of war and starvation, of strange and new social and political forces, of revolution. But I doubt that you realize that future historians will say that the period through which we are living since 1910 is the most disorderly, the most tragic period in the world's history. In that short period there were two world wars—the first in history, long years of mass, mechanized murder, followed in most nations by mass starvation. And in between those two wars the world's most tragic depression, the most prolonged period of industrial stagnation the world has ever known.



Neil Carothers

In that period, arising from the sewers of society, came unbelievable dictators, Hitler, Mussolini, Stalin, who put their heels on the throats of more than half of the white people of the earth, destroying every liberty that man had bled and died for for six thousand

Continued on page 30

*An address by Dr. Carothers at joint meeting of Cigar Manufacturers Association and Cigar Institute of America, Atlantic City, N. J., Dec. 7, 1951.

ANNUAL REVIEW AND OUTLOOK ISSUE—The "Chronicle's" Annual Review and Outlook Issue will be published on Jan. 17 and as in former years, will include the personal views of leaders in Industry, Trade and Finance on the outlook for their businesses and the nation's economy in general during 1952.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Foote Mineral Company — Lester Frenkel, of Gersten & Frenkel, New York City. (Page 2)

American Enka Corporation—Milton Pinkus, of Troster, Singer & Co., New York City. (Page 2)

LESTER FRENKEL

Gersten & Frenkel, New York City

Foote Mineral Company

The security I like best is the common shares of the Foote Mineral Company, which, from a pioneer, has become a leader in research into the behavior and characteristics of certain of the rare metals and their compounds.

Lester Frenkel

Company activities, in the main, are centered around lithium and zirconium, both of which ores are in plentiful supply. Stronium, titanium and tungsten also go to make up the 100 or more products being produced. Many of the products are becoming of increasing importance in the field of atomic energy, and to many of the country's basic industries. Prior to World War II, the business, which dates back 75 years, was practically unknown to the public. Outstanding common was less than 20,000 shares up to 1948. Today, some 257,000 shares have been issued, partly for cash, as bonus incentive to management, and as stock dividends. A 300% stock dividend was paid early in 1951. The shares enjoy an active public market with a price range for 1951 to date of approximately 62—35 with current sales around the $49. per share level. While this price would appear to fully appraise near-term earnings, a realistic view of the company's future evidences enormous growth possibilities. The company, wherever applicable, uses the facilities of others for research. Thus, some of its projects are sponsored by U. S. Government agencies, or jointly carried out with industrial firms as co-sponsor, thereby making surplus funds available for talent and equipment, rather than brick and mortar.

Operations of the company are carried on under three divisions:

Mineral—which purchases and processes ores, for use in welding rod coatings and in the glass and ceramic industries. These ores, many of which are prominent on our strategic stockpile list, also are used by heavy chemical companies, manufacturers of brick and matches, and in the electronics industry.

Chemical — which makes and processes various compounds in lithium, tungsten and stronium. These are used in such fields as welding fluxes, lubricants, air conditioning, and the manufacture of alkaline storage batteries.

Metal—which includes the production of ductile manganese and chrome metal powder, and the production of ferro-alloys of manganese, silicon and chrome.

New products are being aggressively researched, as are additional usages of present products. The fields which are open to the company's products are too numerous to itemize. To mention a few, lithium stearate is being used by most of the major oil companies in compounding lubricating greases, capable of withstanding extreme range of temperature. In glass manufacture, it is replacing lead. Incorporated in ferro-alloys, it offers a substitute for nickel.

To assure its leading position in the products of lithium, the company has acquired long-term mineral leases on some 471 acres and purchased mineral rights to an additional 410 acres at King Mountain, N. C. With the purchase, the company acquired a large, well equipped ore concentrating plant. North Carolina is recognized as having the largest known resources of lithium ore in North America, and the company's holdings are regarded as the richest in the State.

Zirconium, second in importance of the company's activities, has potential uses which may rival those of lithium in the general industrial field. Ductile zirconium metal is one of the newest and perhaps most remarkable of the products now being produced. It has a high melting point, is impervious to most acids, and resistent to corrosion. In alloy form, it is used in jet engine parts.

For the record, capital obligations total only $367,000, proir to common stockholders' interest. Net working capital (9-30-51) was $2,174,000, or 27% of estimated sales of $8,000,000 for 1951. Earnings for the 9 months of 1951, adjusted to the 300% stock dividend and the new tax rates, approximated $1.40 per share. Currently, dividends are at the rate of $1.00 annually.

The future of this company is its management. In this phase, it is unique. All the officers have technical educational background, and over 60 of the 300 employees hold technical degrees. Further emphasis of management is the fact that officers, directors and employees are reported as owning approximately 50% of the company's common shares.

The fields for the use of rare metals and their compounds are just opening up. Their benefits to the future have no parallel in history, except possibly the development of antibiotics.

The above comments high-spot why **Foote Mineral Company** is the stock I like best.

MILTON PINKUS

Troster, Singer & Co., New York City

American Enka Corporation

It was surprisingly easy to choose **American Enka Corporation** — it had a stamp of quality about it — and the usual investment yardsticks seemed to fit perfectly. To a lesser extent a great many others competed but none so well. Its price (42, after recent 3:1 split) was another consideration and does not, to my mind, fully reflect its present or future prospects. The answer may be the general apathy of most of the investment public to a high-priced stock, which was the case before the November, 1951, split. However, after examination, you (as I) may arrive at the same conclusion that **American Enka** is "The Security I Like Best."

Milton Pinkus

This company is the third largest producer of viscose rayon. Enka was formed in 1928 and began manufacturing under license from Dutch Enka—but now operates under its own patents. There is, however, an exchange of technical know-how with the Dutch concern, which still holds control through a large block of stock and four members of the board. Twenty-two years ago Enka's annual capacity of viscose rayon yarn was estimated at 6,600,000 pounds; 1951 should reach 92,000,000 pounds, or approximately 14% of the national total of 1950. This rapid and more-than-average growth is the result, among other factors, of sound fiscal policy, foresight and aggressive plant expansion to meet an ever-growing demand. But particularly interesting is the fact that all this was accomplished with no permanent change in the original and still sole capitalization of 1,117,650 (adj.) shares of no par common stock. The company has two plants: the original plant at Enka (on the outskirts of Asheville, N. C.) and the newer 1948, $26 million plant at Lowland, Tenn., producing tire yarn. Sales offices are in New York City, with smaller branches in Greensboro, N. C., Providence, R. I., and Chattanooga, Tenn. Enka's products are widely known, in demand and "dollar sales in 1950 were the highest in its history, $46.2 million compared with $43.4 million in 1949."

Varying (perhaps lower) estimates of 1951 sales would certainly have been expected, considering the late-months inventory squeeze in the textile trade. But just the opposite is the case. Enka's sales for 36 weeks were $38.4 million vs. $28.7 million for 1950 and net profit (after taxes) was $4.1 million vs. $4.0 million. True, the trade did suffer from indigestion of over-stocking but the situation now seems to have stabilized considerably. For many years sales of man-made fibers were on an allotment basis—so strong was the demand. Recent trade excesses are then understandable in the light of past scarcities and the desire on the part of mills to maintain a favored position with the fiber manufacturer. Demand now is more in line with needs. The price structure—never a violent one—remains conservative and still profitable to the producer; and any slackening in textile yarn sales has been offset by an increase in high tenacity (tire) yarn. The writer has every reason to believe that 1952 looks definitely better. It is a credit to American Enka's management that they were able to increase sales by roughly one-third during this recent uncertainty.

Management has been consistently conservative, yet aggressive. During 1950 the company "increased the personnel and facilities of the Research Department to meet . . . an enlarged research program," said President J. E. Bassill, adding, "The company's research scientists continually strive to improve the quality of its yarn and have been successful in developing methods of increasing machine productivity. . . ." The trade says **American Enka** is

Continued on page 37

Vital Issues of 1952

By JOHN L. ROWE
Investment Counsel, Los Angeles, Calif.

Among vital issues discussed by Mr. Rowe are: (1) the foreign situation; (2) rearmament; (3) inflation; (4) taxation; (5) question of collectivism or bureaucracy; and (6) political corruption. Upholds promoting economic recovery abroad, but points out Truman Administration is retarding confidence at home. Looks for readjustments arising out of rearmament's dislocation of peacetime production, and predicts inflationary processes will be resumed, leading to a semblance of general prosperity. Scores governmental extravagance.

"All the world's a stage. . . ." except in this year's melodrama the props, the settings and the cast will be strictly American. The Democrats, the Republicans and the Trumancrats should provide us a stirring show. Whether you walk with the Trumancrats along those rose tinted paths of stumbling idealism or more firmly with the Republicans and Jeffersonian Democrats into the domain of stark realities, the fact remains that this year's spectacle could conceivably ring down the curtain on two decades of political buffoonery, deception and chicanery which has no counterpart in the short history of our Republic.

John L. Rowe

Despite the election year, rural and urban America promises to be very prosperous. There will be full employment. Our people generally will have few unsatisfied desires. Rates of hourly pay and general business activity are at near record levels. The tremendous strides of television have undoubtedly exerted a marked influence on consumer expenditures. Nearly one-third of the nation's homes are being served by this comparatively new medium of mass entertainment. Television will prove a potent force in assessing the outcome of our Presidential election. The ultimate nominee of either party faces a tough and invisible assignment. They can be a welcome or unwelcome house-guest with a twist of a dial. Fortunately, or unfortunately, a vast army of unseen voters will this year make up their minds visibly without really assessing the vital issues.

When we look ahead to November, what are these issues which vitally concern every American family?

A summation should include these currently important subjects:

(1) **The Foreign Situation**, embracing our firm military commitments abroad and our assumed responsibilities in relation to international economic recovery.

(2) **Rearmament**, with its artificial though sustained effect on the level of general business activity.

(3) **Inflation**, a potent force when reckoning the long-pull outlook in terms of our present high level of internal prices as related to business activity.

(4) **Taxation**, already at record semi-peacetime levels, is retarding new enterprise and risk-taking when related to those tremendous accumulated reservoirs of private capital which in other years promoted our tremendous industrial development.

(5) **Collectivism or Bureaucracy**, which is gradually hand-cuffing individual initiative both in business and on the farm.

(6) **Political Corruption**, which has reversed the thinking of voters who heretofore believed public service was a lofty attainment implying equal service to all people, not just self-service via a few chosen constituents.

Foreign Situation

The *foreign situation* is of two parts. On the one hand is rearmament and our intense efforts to reconcile Europe and Britain's century-old trade and economic differences; the other involves Asia, where Japan, under our guidance, is eagerly rebuilding while simultaneously we restrain Red China in its territorial aims. American blood along with billions of tax dollars is being channeled into these vast undertakings. Yet arms, money and men are of little avail abroad unless there is sound, intelligent and honest counsel at home. As it relates to foreign policy, I dare not add to present-day confusion, except to say that age is occasionally another name for wisdom. General Douglas MacArthur knew the Far East as no other living American. Our political leadership by inference attacks this great soldier-statesman instead of accepting his studied advice and adopting an alternate policy.

When voters saddle themselves with bureaucratic rule and its attendant cumbersome inefficiency, there can be only bad results. Men of high purpose are rightfully distrustful of political knaves. They impede their desire for progress. When a nation possesses a soul, it cannot be coerced into accepting something it has not been educated to understand. For example, most thinking Americans have never understood our really shabby treatment of General Chiang Kai-shek. It was under his inspired leadership that China enjoyed its greatest prosperity. It was the decade from 1927 to 1937. He drove the War Lords into retirement. His government initiated measures to stimulate home industry. Banditry was suppressed.

Continued on page 24

INDEX

Articles and News Page

Regular Features

*No column by Mr. May this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager
Thursday, January 10, 1952

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year. Other Countries, $52.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Effect of Pension Funds' Channeling of Savings

By HARRY G. GUTHMANN*
Morrison Professor of Finance,
School of Commerce, Northwestern University

Dr. Guthmann notes the institution as channel for investments to reach mass market has progressed far in debt forms, but is still very limited in equities. Maintains pension fund investment buying will have "institutional flavor" in that it will be "for keeps," will be concentrated in the "heirloom" stocks, and persistent rather than sporadic, and will improve the stock market's stability and quality of its valuation judgments. Predicts recent credit tightening will prove temporary.

For convenience, let us divide this discussion arbitrarily into effects that impinge on the investment markets and those which concern the general economy even though the two are actually intermingled. The creation of private pension funds means that the investment markets are now to receive an inflow of funds that is made regular by long-term contractual arrangements. Such a flow is likely to be much more regular from year to year than ordinary private savings by individuals which can and do fluctuate greatly. This regularity of flow into pension funds bears a family resemblance to that of the life insurance companies, which is similarly conditioned by long-term policy contracts. Mr. Murray in his paper[1] estimates the probable annual flow of pension reserve money at $1.8 billion, with perhaps $1 billion going into trusteed funds and the balance to the life insurance companies. He also notes these figures may run 15 to 20% higher under current conditions. These amounts may be compared for significance with the recent annual growth of life insurance company assets, including reserves for annuities under pension plans, of somewhat over $4 billion, perhaps as much as $4½ billion in 1951. It is apparent that after allowing for the pension fund factor in the life insurance business, pension money probably contributes more than half as much as private life insurance to the flow of institutional money into investment channels and so ranks as a major factor in the investment markets. Some idea of the investment impact of fully funded pension plans can be had by turning to the huge figures that have sometimes been calculated as necessary, were the Federal Old Age and Survivors Insurance to be fully funded. As it is, its "reserve," which represents no attempt at funding, had mounted to $14.3 billion on June 30, 1951. To take a more modest example, the Teachers' Insurance and Annuity Association, serving the annuity needs of only some seventy thousand college employees, has in a single generation accumulated assets of close to a third of a billion and become one of the country's thirty largest companies on the basis of assets. (Its reserves are predominantly annuity rather than insurance reserves.)

Dr. H. G. Guthmann

Mutual savings banks are expected to add about $1 billion to their assets this year, and savings and loan associations may reach $1.8 to $1.9 billion. Formerly, with the installment share the only form of savings and loan obligation, their receipts probably tended towards greater regularity than they do today. With the increasing tendency among savers over the past three decades to use these associations more and more like savings banks, greater fluctuations are to be expected.[2]

(In Millions of Dollars)

	1949 3rd	1949 4th
Savings & Loan	184	425
Savings Banks	168	213

	1950 1st	1950 2nd	1950 3rd	1950 4th
Savings & Loan	448	491	— 4	553
Savings Banks	387	263	—50	140

	1951 1st	1951 2nd
Savings & Loan	306	620
Savings Banks	80	290

Sources: Home Loan Bank Board and Federal Reserve Board.

Effect on Long-term Interest Rates

The relatively inelastic flow of funds from life insurance and pension funds into the investment markets means that the supply of savings adjusts less readily to the widely changing demands of borrowing which go up and down with the business cycle. During the depression of the 1930's, private debt largely in the form of corporation bonds and real estate mortgages actually contracted. This phenomenon is of importance to those concerned with the level of long-term interest rates and with the adequacy of the supply of bonds and mortgages suitable for institutions seeking debt investments in the years ahead.

We have been passing through a postwar boom of the first magnitude. Yet during this period our investment markets were able to absorb large debt offerings without any important expansion of our demand deposits until after Korea. Such a high level of savings has significance for both the present problem of inflation and the future of the investment markets not only during the next few years of defense build-up but in the longer term to follow.

As we look back over the past decade, it can be seen that the price inflation which followed World War II represented an adjustment of the price level up to the money supply created during the war years. During this war, the price level was held down by price controls and a willingness to save in the form of currency and demand deposits sums which would later be spent, especially for consumers' durable goods. That postwar prices rose so much less than did the monetary supply can be attributed to a variety of factors, but two of major importance were the extraordinary rise of industrial production over previous peace time levels and a large volume of savings. Savings were sufficient during the postwar years to care for heavy investment demands without causing substantial bank credit expansion to be reflected in demand deposits. During the four war years, 1942-1945, (adjusted) demand deposits rose from $39 to $76 billion and moved up to $83 billion in 1946, but stood at only $86 billion three years later at the end of 1949.[3] Not until Korea did a sizable upturn occur which brought deposits up to $92 billion at the end of 1950 with almost half of the rise cancelled in the ensuing half year and then a return to the old high in the space of a few months.

Such figures are suggestive. The mere extension of recent savings rates during the next few years could care for the financing of an $8 to $12 billion Government deficit without reliance upon bank credit expansion provided that the extremely high current level of residential construction and corporate plant expansion be cut back to a normal level. The former has been running at a rate of $11 billion and the latter at $25 billion in 1951 in contrast to $8½ and $19 billion, respectively, even in the very prosperous 1948.[4] Some decline from these levels would be expected shortly even without credit restraints or material shortages.

Credit-Tightening Temporary

But what do these data on the postwar investment markets and savings suggest for the longer term? If we could finance a postwar boom with so little reliance upon bank credit expansion, it would strongly suggest that any credit tightening such as has been witnessed since Korea is likely to be a temporary rather than a long term phenomenon.

In passing, it may be suggested that in both business and government circles too much has been made of the analogy between conditions in World War II and those at present, and there has been too little analysis of the important differences in the magnitude and probable impact of the two defense efforts. During the former period defense expenditures mounted to over 40% of the gross national product; at the peak of the present effort in 1953, such expenditures are expected to be in the neighborhood of but 18% of the gross national product. With tax rates running at close to the war level, a much lower level of savings should be sufficient to close the inflationary gap.

As for the current plans of business and government to build up an industrial capacity that will supply both guns and butter, one wonders if the mistake has not been made of projecting the boom demand for goods, especially durable goods, of the postwar years as a measure of normal growth trend for the future. This cyclical expansion fed upon the accumulated needs built up not only during the war years but also during the preceding decade of depression. After such a tremendous outpouring of houses and consumers' durable goods, as well as expansion of plants to produce them, one wonders if the longer term normal level of production is not almost certain to be considerably lower. After such a large expansion of industrial and utility plant as has been witnessed to date and is still going on, the question arises as to whether the outlook for producers' durable goods after 1955 can be anything like that after 1945.

The foregoing recital is for the purpose of underlining the investment problem which such an important institutional instrument for saving as the pension funds may be faced with when added to life insurance savings during the years ahead. It is not unlikely that institutional savings are being created that may give rise to investment problems of the first magnitude.

Impact on Stock Market

A special question on the investment side of the pension funds is their impact upon the stock market. For reasons that are given in Mr. Murray's paper, the trustee-administered funds are expected to invest in common stocks as well as debt investments. This policy is in contrast to that of the major thrift institutions. The commercial and mutual savings banks and the savings and loan associations have typically avoided equity investments. Life insurance companies have as a group held about 1% of their assets in common stocks. In spite of the greater freedom to make such commitments under recent legislation, notably in New York State, more substantial purchases are doubtful because of the need to avoid the risk of market price fluctuations that could rapidly impair their very modest surpluses. On the other hand, Mr. Murray makes a rough estimate of the annual common stock purchases of the trusteed pension funds as currently around $200 million, or about 17% of the funds they are receiving. Should the inflow of funds be increased by corporations anxious to fund past-service benefits during the present period of excess profits taxes and good earnings, these figures might well be larger. (In contrast, the total accumulated common stock holdings of life insurance companies amounted to only about $600 million at the end of 1950.[5])

While the $200 million figure falls short of the close to $300 million estimate of net sales of open-end investment trust shares for the year 1951, both represent important and relatively new sources of stock market money.[6] Here we find two institutional sources of equity funds, both young and vigorously growing. Like the thrift institutions which invest in debt, they probably derive their funds more largely from the middle and lower income groups rather than from the wealthy. The amounts just mentioned appear relatively small but that they are not unimportant can be seen by comparison with the amount of new common stock offerings, which have run from $600 to $900 million dollars annually in the postwar years. The explanation of these small flotations is that the great bulk of new equity capital is derived from retained earnings rather than from new issues. The stock market serves as the cashier's window at which the owner of such funds may make his withdrawal. Another reason why such figures appear small, is the huge rise in the Federal debt, which has come to occupy an overshadowing position in the world of investment. This civil debt explains in large part why the total value of all listed stocks amounts to but one-sixth of the total investments available in the form of bonds and mortgages.

The influence which pension funds and investment companies will have upon the stock market cannot be satisfactorily measured by their ratio to the grand total of stock values. Their importance will be a matter of the relation of such buying to the volume of selling of those who use the stock market to cash in their holdings and wish to withdraw during a given period. While only future experience can tell the extent of this new influence, certain points may be noted. The stock market is unlike most markets which the economist is called upon to study in that there is only a relatively small amount added to supply by "new production." The supply consists chiefly of "second-hand" goods. Moreover, these goods do not automatically wear out with age. On the contrary, shares of stock, like antiques and vintage wines, may increase in value through aging. Seasoning of common stocks often improve their investment rating and value. Another major persistent force tending to enhance share values is growth from the profitable reinvestment of earnings.

Whatever influence pension fund buying has upon the stock market, its character is likely to have an "institutional" flavor: (1) such buying is more likely to be "for keeps," that is, for fairly permanent rather than short-term, or speculative, holding; (2) it is likely to be concentrated in the "heirloom" stocks, that is, those with a long and respectable dividend history; and (3) it is likely to be persistent through time rather than intermittent and spo-

Continued on page 26

*A paper by Dr. Guthmann before a joint session of the American Finance Association and the American Association of University Teachers of Insurance, Boston, Mass., Dec. 21, 1951.

1 Mr. Murray's talk appeared in the "Chronicle" of Jan. 3, on page 4.

2 Net changes in savings through savings and loan associations and mutual savings banks by quarterly periods:

3 *Federal Reserve Bulletin*, November, 1951, p. 1388.

4 *Survey of Current Business*, August, 1951, p. 23; September, 1951, p. 6; November, 1951, p. 6.

5 *Life Insurance Fact Book*, 1951, p. 68.

6 For a fuller discussion of this situation see Harry G. Guthmann, "Institutional Investment and the Problem of Equity Financing," *Law and Contemporary Problems*, January, 1952.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Over-all industrial production for the nation-at-large maintained approximately the level of the preceding week checked by holiday closings and inventory-taking. Nevertheless, total output continued to be moderately higher than that of a year ago.

Machine tool, metal-working and other plants with defense contracts remained quite active, while the output of many consumer goods lagged.

Joblessness continued to be smaller than a year ago. Factory layoffs in November rose by 14% over October to a level of 16 for every 1,000 workers, states the Bureau of Labor Staitstics.

The November layoff rate, the agency pointed out was "one of the highest rates for the season reported during the past decade." The high rate reflected cutbacks in production of a wide range of civilian goods resulting both from reduced demand and restrictions on non-defense use of metals.

However, the bureau noted, the continued low level of unemployment—under two million in all—"indicated that many laid-off workers were being recalled to their jobs or were finding other employment without extended loss of working time."

November layoffs it added were at a postwar peak for the season in plants making textiles, clothing, paper and clay and glass products. Layoffs continued low in such industries as ordnance, primary metals and machinery.

For the fifth straight month, factory hiring in November continued at the lowest rate— 37 for every 1,000 workers—recorded for the month in over 10 years. This resulted not only from the cutback in production of some civilian goods, but also from a slackened rate of expansion of defense-related industries, the bureau noted.

In the steel industry the 45-day steel-labor truce does not end the threat of a steel strike, according to "The Iron Age," national metalworking weekly. Another grave crisis will confront the industry by Feb. 21 when the truce expires. Recommendations of the Wage Stabilization Board (hearings began this week) are expected to be made public before that time.

Neither union nor management is bound to accept WSB recommendations. But union cockiness at its million dollar convention in Atlantic City last week indicated confidence that WSB findings would not be unacceptable—at least to them. The union had won a moral victory in forcing a personal stay-at-work plea from President Truman, and getting its case before a special panel, states this trade weekly.

The same thing happened in 1949. On that occasion recommendations of the Presidential panel were accepted by labor. And, when management found them unacceptable and rejected them, a month-long strike costing over 10 million tons of steel output resulted. In the end, the union won non-contributory pensions and steel prices were raised an average of $4 a ton. In 1950 an amicable settlement was reached. Steelworkers' wages were raised an average of 16c an hour, and steel prices went up an average of $5.88 a ton.

A look at the record makes it obvious why companies are balking at increasing wages without prices. Yet the union is demanding a flat raise of 15c an hour, plus 3½c more for job classifications, plus many fringe concessions. The total 22-point package would cost about 50c an hour, "The Iron Age" observes.

Arbitration, this trade publication declares, will now be conducted on a three-way street, with the government playing an active role. Belief persists that agreement can only be reached through active patricipation of Administration officials. Final decision on any "deal" rests squarely with the White House.

For at least the next six weeks steel production will be a highly uncertain business. Everyone interested in steel production was shocked by the news that United States Steel had been forced to take eight open-hearth furnaces out of operation—five at Pittsburgh and three at Gary, Ind. Daily production loss will be more than 1,500 tons of steel.

For the past few weeks United States Steel had been able to maintain capacity operation only with the help of scrap borrowed

Continued on page 40

The Outlook for Stock Prices During 1952

By ANTHONY GAUBIS*
Investment Counselor

Mr. Gaubis gives following reasons for expecting price decline of possibly 25% during coming months: (1) prospective increase in maladjustments; (2) diminution of government deficit spending; (3) continuing inventory readjustment; (4) earnings decline; (5) threatening foreign situation; and (6) rise in interest rates. States personal tax inroad necessitates still higher stock-bond yield differential. Predicts appreciable upturn later in year.

I
Stock Market Outlook Only One Of Many Factors

I should like to make clear that I believe the outlook for the stock market is merely one of the many factors which investors should take into account in deciding whether any individual stock should be purchased or held, and just what proportion of any fund should be invested in equities. No one can be certain of the future of the market as a whole any more than he can be of any one security. Because of this fundamental fact, it is never wise to place a major proportion of any fund in a single equity, or to allow any views on the stock market outlook to dominate investment policy. Whether anyone should let the question of the market outlook influence the extent of his invested position by 25%, or 75%, is a debatable point. My own inclination is to emphasize safety of principal and to shift toward short-term, fixed-income securities with at least 50% of any fund whenever there are storm signals on the horizon. With income taxes so very high, it is no longer possible or, at least, it is not very easy, to replace any capital losses through savings out of current income. This is a very important consideration for those of us entrusted with guiding other people in the handling of their investment programs.

Anthony Gaubis

II
Conclusions Regarding Market Action

To save time, I am going to give you my specific conclusions and then a summary of the principal reasons for these conclusions.

I believe that the market picture for 1952 is likely to be one of declining prices during the early months of the year followed by an advance lasting six months or longer, and carrying at least through November or December. The probabilities, as I see them, are that the cyclical trends of the majority of stocks will continue irregularly downward, just as they have been for six months or longer, but which trends have been obscured by the influence in the leading averages of a small group of issues. To clarify this point, I should like to call your attention to the fact that a larger number of common stocks reached their 1951 highs in February than in any other single month, with January recording the second largest number of highs for last year. An index compiled by the "Value Line" and which weighs each stock approximately equally, clearly reflects the fact that in spite of the conspicuous strength in a few issues, the market as a whole has not made any progress on balance since last February. Following the decline which I think is more likely than not to carry the Dow-Jones Industrial Average down to around the early 1946 levels by sometime in March or April, I look for a very broad advance which should enable the leading averages to get back to about the recent highs. As was true in 1946, however, many stocks will probably decline by 33% or more and may not recover to current prices for several years.

III
Prospects for Downside

The prospects for a downward trend in stock prices during the next few months are supported, I believe, by these considerations:

(1) We are now in about the same stage of transition from a peacetime to an armament-dominated economy as we were in the reverse transition in the third quarter of 1946—a little more than one year after the ending of World War II. This means that maladjustments in our economy are likely to increase before they diminish. The prospect of substantial Government spending for armaments has been blinding many people to the maladjustments ahead, just as the $200 billion pent-up demand for goods in 1946 led the public to ignore the unfavorable factors in the economy which were developing during the early months of that year.

(2) The stimulating factor of substantial deficit spending by the Federal Government during the past six months is about to give way to a withdrawal of funds from the private credit stream. It is estimated that the Government will collect in taxes at least $5 to $6 billion more than it will pay out during the next four months. This could have a severe (if temporary) impact on our economy under current monetary conditions, since most corporations no longer have a surplus of idle funds.

(3) It will probably take at least another three or four months to complete the inventory readjustments now in progress in the textile and other consumer goods industries. Such readjustments always seem to take longer than the public is led to expect, largely because of newspaper releases by people who are trying to sell goods. In the past, the final stages of any inventory adjustment are usually accompanied by extreme pessimism. We had such a situation, you will recall, in the first half of 1949 when many people became very depressed even though economic fundamentals were basically stronger than they are today.

(4) We are entering what will probably be a hot political year. The Administration certainly, and Congress, probably, will play up to the middle classes rather than to business. It seems that politicians always require a scapegoat to divert attention from their own mistakes, and it would be in line with past experience if business were again held up as the big bad wolf that was responsible for the inflationary rise in the cost of living.

(5) Earnings during the first quarter of 1952 will almost certainly continue the decline in evidence during the past two or three quarters. Most corporations have used up their low-cost inventories, and during periods of material shortages there is a tendency for workers to stretch their jobs in order to reduce the risk of being laid off a few days from time to time. With 1952 earnings and tax budgets before them, directors may decide to take a more cautious attitude toward dividend payments than may people expect.

(6) The foreign situation has not cleared up, and there is at least a 50/50 chance that the Administration will finally have to openly admit that the trouble in Korea is more than a police action. Such an admission would carry with it stronger arguments for more controls, and a recognition of the fact that taxes will continue high for a longer period than most of us like to think.

(7) The further rise in interest rates will tend to curb or delay borrowing, and thereby reduce one of the bullish or supporting factors in the economy during recent months.

IV
Prospects for a Major Decline

Turning to the expectation of a decline of around 60 to 70 points in the Dow-Jones Industrial Averages, or to about the 205-215 level, I have the following points in mind:

(1) Over a period of years, the

Continued on page 33

*A talk by Mr. Gaubis before the Association of Customers' Brokers, New York City, Jan. 8, 1952.

Economic Outlook for 1952-1953

By EDWIN B. GEORGE*
Economist, and Assistant to the President,
Dun and Bradstreet, Inc.

After warning about the upsetting effect of imponderables, Mr. George predicts for 1952: (1) moderate increase in total output; (2) slightly downward trend in governmental non-defense spending; (3) considerable decline in capital outlays; (4) some deflation of inventories; (5) moderate rise in consumer outlays, and (6) a slight price rise. For 1953, he expects mitigation of inflationary forces.

A fact that takes much of the starch out of forecasting these days is that sheer caprice, most likely political or diplomatic, may have a great deal to do with the outcome. I think that there is less than an even chance of that happening in 1952, which is part of my forecast. Nevertheless it is not difficult by way of example to predict a vigorous shakedown if events such as the following should transpire, and I do so predict:


Edwin B. George

If the government and people of this country should become convinced that our potential enemy intends no war.

If, as a variant of the same theme in some minds, the government and people should decide that continued inflation is more dangerous than the mere chance of attack by that enemy, and that even the present defense program means continued inflation.

If, for either or both reasons, we lower our military objectives or spread their realization much more thinly over time while also lowering our plant and equipment expansion goals for military and associated purposes.

If, because of such a revision of ideas in the military sphere, business should take alarm at its own prodigious achievement in expanding capacity since the war, and drastically curtail capital investment while at the same time really pulling down inventories.

If a wave of devaluation overseas, compounded by stoic budget balancing and firm credit policies, and supplemented by tolerance on the part of British labor unions toward the importation of Continental coal miners, etc., should precipitate a sharp curtailment of American exports and a boost of imports.

If rising public and Congressional skepticism over the true therapeutic value of foreign aid should culminate in a correspondingly sharp cut in appropriations.

If the upward trend in interest rates should unduly increase the cost of credit, reduce its supply, and induce credit rationing, and in general evidence a little more potency in the little giant of classical theory than had been anticipated.

Elevating Factors

Looking in other directions, it is not difficult to predict that the following combination of events could have us winging skyward again, and I do so predict:

If Britain and France prove able to fight only a rearguard action against inflation, and financial aid from this country is increased as the only interim means of either reversing this drift or of suppressing or of suspending its effects.

If the Kremlin should spark new military adventures along the ragged boundaries of our two worlds for the purpose of testing our continued will and ability to resist.

If, because of a suddenly crystallized conviction that there can be no real grounds for peace until we are able to bargain with Russia on more nearly even military terms, we should throw economic caution to the winds and accelerate the diversion of resources into defense.

If the view should prevail that the present weight of taxation on the present narrow base is inflationary rather than otherwise, and legislators reduced rates but shrank from broadening the base through lower exemptions, a general sales tax with or without per capita exemption, or other available means, and the prospective inflationary gap were thereby widened, etc., etc.

Having dared to imagine what are in several cases fantasies, I have done little more in fact than to issue the usual warning about the upsetting effect of imponderables. It was not intended to belittle the conventional tools of prediction by laying them alongside these great vague shapes of the unpredictable. As a matter of fact, I will from now on take the improbability of some of these prospects for granted and assume with respect to most of them a now familiar instability but no explosion.

With these stipulations I will now try to fill in my private design of the course of economic developments in calendar 1952. Principally in the interest of brevity, I will use the technique of fixing our probable position, as I imagine it, in the last quarter of the year, limiting discussion of shifts through the year to a few glances at the movements of strategic components of the national product.

Unless otherwise indicated, all dollar figures are meant to represent seasonally adjusted annual rates at expected prices.

Supply

We first have to make our guess as to how much supply we can expect or, more cautiously, what we will have in the way of a production potential. Real output is virtually certain to rise. But barring extreme emergency there is no reason to expect anything startling here. Normal additions to the labor force plus some marginal recruits attracted by the high wages or spurred by conscience, and a small absolute reduction in unemployment will far outnumber the net growth, if any, in the Armed Forces. The workweek may be extended a speck. The net course of productivity should be moderately upward for several reasons: Fuller use of capacity than in the past six months—notably in some of the soft goods industries—which will show up statistically in a higher rate of man-hour output; unprecedented additions to plant and equipment over the past five years can hardly avoid adding something also to operating efficiency; and in a period of defense build-up many workers will also be shifting from manual to mechanized operations. Hence, despite the fact that recruits to the labor force will frequently be inexperienced or inefficient, and that people generally have evidently not felt the staging of our crisis to be such as to require them to burn themselves out right now, there will be a net gain. Nothing ecstatic; no Yankee miracle; pressure groups still more absorbed in redistributing aggregate income than in increasing it. But even so we ought to be able to count on some increase in total output — perhaps 6% — between third quarter 1951 and fourth quarter 1952, from the combination of more man-hours and higher man-hour productivity.

Demand

But will we have use for this much capacity? Alternatively, will we call it forth? Our concern now shifts to prospects for the major components of demand. Looming above all, of course, are those for national security. One can be and usually is slightly maddened by different sets of figures which reflect not only—if at all—differences in basic viewpoint but varying coverage and different bases for measuring magnitudes. I shall work with a broad definition, embracing not merely conventional military expenditures, but outlays for foreign aid, stockpiling, atomic energy, and the costs of administering defense production and economic stabilization. In addition, my figures will relate to the value of deliveries, not government disbursements in payment thereof. This, I understand, is the practice followed in development of the official GNP totals.

For fourth quarter 1952, my guess is that security outlays will be at an annual rate of about $66 billion—$25 billion (over 60%) above the third quarter 1951 rate. At this writing, it appears that the higher figure will be approached more gradually than had been thought in early fall, with consequent moderation of demand pressures then forecast. In any case, however, this is easily the biggest factor in the picture and, of course, the one giving rise to the biggest tonnage of disputatious literature.

The second major component is spending for non-defense purposes by not only the Federal government but state and local governments. Here the trend should be slightly downward through third quarter 1952 and no more than a

Continued on page 22

*An address by Mr. George before the annual meeting of the American Statistical Association, Boston, Mass., Dec. 28, 1951.

The 1952 Stock Market— External and Internal Forces

By F. P. GOODRICH
Harris, Upham & Co., Members New York Stock Exchange

Market analyst, on basis of both "external" and "internal" perspectives, concludes 1949-51 bull market has reached "full maturity," and major trend is negotiating a change in direction. Maintains psychological elements may "snow-ball" into mass action resulting in major decline.

Inclusive Considerations

One's concept of important directional trends in the stock market at a particular point in the contemporary pattern—especially when the direction of the Major Trend may be in question—should, I believe, include both of two approaches: (1) the *external* and (2) the *internal*.


F. P. Goodrich

External Forces

Many of the "external" forces are under constant discussion currently in periodicals and over the radio, but one potentially powerful force seems to me to be somewhat neglected and underestimated at this time. I refer to the *psychological* forces—those which motivate the *actions* of all who are actually taking part in daily transactions or potentially will be translated into *action* in the future.

The composite effect of these *psychological* forces—when translated into *action*—is the continuing determinator of the changing scenery of recorded prices—in both the temporary and the longer-term patterns—and it must be regarded as very *real* even though essentially intangible, changeable and seemingly unpredictable. One fact at least is constant, namely, that the psychological factor is actually *infectious* and may at times "snowball" into periodic spells of "mass action" in varying degrees—either favorable or adverse. To predetermine which form it will take or the point where it will break out into "mass action" is a subject to which much study has been devoted, but still remains essentially irreducible to any proven formula.

I stress the phychological factors at this time because I believe they will play an increasingly dominant role in stock price trends over coming months—if *adversely* from a 21-year new high altitude the effects of "mass action" could be of a severity and persistence comparable (in reverse) to the role which psychology played in the upward trek of prices in 1949 to 1951.

With respect to the stock market, these psychological forces are usually *resultant* rather than self-orginating. They are impulsed by other "external" forces such as: (1) World events; (2) politics; (3) economics. There was a time when the politician kept aloof from economics, but in the eras of the "New Deal" and the "Fair Deal" high political figures have established themselves on the thesis that nature's economic laws can be artificially controlled—can be man-regulated. Such a thesis has fostered the inflation spiral.

For some time, this spiral has been somewhat abstract and of relatively modest concern to the man on "Main Street," but now the "pinch" is becoming very *real* to the family unit attempting to buy necessities with a "50-cent dollar"—plus the increasing demands of the landlord and the tax collector. As these economic facts become a broadly recognized *reality* the resultant psychological factors constitute a contagious potential which is reaching a stage where the processes of "snowballing" into "mass action" with particular respect to the stock market can materialize. The materialization can be unobstrusive—given a period of comparatively even tempo in important news; or the manifestation could be of an erupting or spontaneous type—given some sudden outbreak of really adverse news.

Price Spiral

Along the route of the inflationary spiral and to compensate for the declining value of the dollar, huge funds of investable capital have sought a compensating remedy in stocks of the "big name" and the "good name" issues—exploiting them by their combined "pressure buying" into higher and higher altitudes until many become *over* exploited far above real "inherent" values as measured by the usual standards of an average peace-time economy. That was a manifestation of *psychology* in an orderly process along the upward trek of prices in 1950-1951.

The effectiveness of that "remedy," in a monetary sense, is yet to be established for the apparent capital enhancement is purely "paper" until the profits are made *real* by selling (to a new buyer). In the meantime, these "paper" gains possess *no* increased and compensating buying power in a monetary sense in payment for "goods and services" and the "paper values" are vulnerable in case *psychology* breaks away from an "orderly process" and "snowballs" into adverse "mass action"

—perhaps reverting to a "scramble" to sell.

In the orderly processes of an upward **pressure**—from substantial funds including those coming under **the 1950** "Prudent Man" rule — **the spectacle of** rising prices **attracts** a broader section of the "**public**"—the smaller "fry" —some of whom are of the "quick profit" seekers who come in more **courageously in the late phase of a sustained rise**; others of the so-called "public" are the more orthodox individual investors seeking *income* plus usually a "hope" of value enhancement—these also displaying more courage inhibited from rising prices, generous **yields** and higher corporate earnings.

Buying Concentrated in "Big Fund" Activities

The consequential points I wish to emphasize are these: (1) the main bulk of the "upward pressure" has been furnished by the aggregate buying power of "big funds"—while the aggregate of strictly "public buying" has been essentially "incidental"; (2) along the upward trek a point is reached where "big funds" sense a stage of *maturity* of values and the upward pressure from that major source comes to an end—perhaps suddenly with respect to numerous *individual* issues, but in a tapering-off process with respect to the "big name" issues as a group.

When such an area is attained, the stage is set for another cyclical period of *distribution*—to new buyers at the "maturity" levels—if the "big" holders convert their theoretical "paper gains" into actual dollars in a monetary sense. For those who "unload" at maturity levels, the compensating "remedy" proved successful; for those who do not sell, only the future will tell whether their "remedy" proved successful or fruitless. The motivations for converting at maturity prices may vary widely from: (1) need for cash; (2) a matter of "policy" or discretion; (3) switching into "undervalued" issues; (4) impulsive step in case public psychology reverts to "mass action" in a scramble to sell. The *infectiousness* of psychology may operate in both directions; "mass action" may carry to extremes in both directions.

In these considerations of price movements, we should constantly recognize as a fact that stocks do *not* go up of their own accord; they are *put* up by the forces of "pressure buying" or they are *put* down under the force of "pressure selling." In both cases, psychology plays the dominating role—at times unobstrusively in orderly processes; at other times, erupting into "mass action."

It seems to me—on this subject of *psychology*—that public conviction is crystallizing on the following trends of thinking: (1) that the peak of corporate net earnings resulting from the defense stimulus has been reached; (2) that the heavily exploited "good name" issues have fully "discounted" the net earnings benefits from the defense stimulus—leaving little on the favorable side *to be discounted*; (3) that a nationwide *resistance* is "smoldering" against rising prices in general and in particular against mounting taxation to sustain the reckless dissipation of the nation's "substance" by a government steeped in corruption at the upper levels. These are elements which enter into a psychological environment presently perhaps only in a state of incubation and temporarily translated into nothing more than frustrations as to conditions and an apathetic complacency toward the stock market.

Eventually, however, the incubation period is completed and psychology tends to find expression in mass action when exposed to the stimulation of some event of prime importance or some dramatic news. If not mass buying action stimulated by some favorable news, then it can find expression in the form of a scramble to sell—under the stimulant of some adverse news.

In retrospect, there was actually no particularly adverse news to occasion the recent market

Continued on page 35

Loss of the Free Market

By F. A. HARPER*

The Foundation for Economic Education, Inc.

Among the forces leading to loss of the free market mentioned and discussed by Mr. Harper are: (1) high taxation; (2) wage and price controls; and (3) innumerable other laws, licenses and controls. Says emergencies are no excuse for destroying free markets, and suggests as remedy individual action guided by understanding.

About 35 cents of every dollar of personal incomes, as nearly as I can derive the figure, is now being taken by the government.[1] What is more, the funds appropriated for spending by the government for the current year—if it were all to be spent—would amount to over 40 cents out of every dollar of personal incomes. This figure represents the proportion of the productive effort of this nation that is being removed by direct means from the area of free choice. Its use by those who have produced and earned it is prohibited, just as certainly as it was for the slaves in our earlier history, or still is for the victims of Stalin's rule.

F. A. Harper

You might test this interpretation of loss in your freedom of choice by refusing to pay your taxes—perhaps on the basis that you want to use your productive efforts to buy a fur coat or a deep freeze for you own wife. What would happen to you? I know of a man who has just served a prison term for less than that, even though the tax collector responsible for the judgment was later removed from his job because of gross malfeasance of conduct in that office.

If these figures of 35 to 40 cents lack meaning as to their full import, they may be compared with some similar figures for other countries in 1929-30, at a time when a comparable figure for the United States was only about 14 cents out of the dollar:

	Taxes as percent of national income[2]
USSR	29
Germany	22
France	21
United Kingdom	21

This means that government in the United States is removing free choice from a far higher percentage of the livelihood of the people of this country than were Russia, Germany, France and the United Kingdom two decades ago. And the proportion here is more than double what it was here two decades ago. If the tide cannot be turned, may not the economic plight of citizens in those four countries foreshadow our future?

Let me interpret the meaning of these figures in another way. Imagine, for example, the popular resentment that would be aroused by my murdering our esteemed Chairman, or picking his pocket. But this taking of about one-third of the average life (livelihood) of 150 million persons is equivalent to taking in full the economic life of upwards of 50 million persons each year.

My reason for speaking of life and livelihood as equivalents to be thus compared is that whatever one produces, and his property, have been quite appropriately called the economic extensions of the person. A person who is totally a slave—a person who enjoys no powers of free choice, who has no liberty to develop his own potential and to do what he thinks is best according to his own wisdom and conscience, who is prohibited from having what he has produced for his own use or for whatever trade or charity he deems wise — such a person should be considered dead economically, politically and morally, even though he seems still to be alive by the test of a stethescope. He is dead so far as the free market and marketing are concerned. Reference here can be made to Martin Luther's excellent statement on the similarity between lost economic liberties and murder. And Hamilton once said that control over a man's subsistence amounts to control over his will. Most certainly!

Yet in contrast to the outright physical murder of one person, this taking of some 50 million economic lives each year is lauded as a public service, and the persons in charge of the operation are generally honored and revered. If I have given anyone a new feeling of partial economic *rigor mortis*, I have accomplished one of my purposes; and if you don't yet sense that feeling clearly, please try it again about March 15.

Wage and Price Controls

But that is not all the loss of a free market. In addition to the income taken directly by government and removed from free choice in its use by its owner, nearly all the remaining two-thirds is now either actively under wage and price controls—as well as other controls—or is daily threatened under latent powers of control. For instance, the one-third taken from your income by the government covers only certain costs of administering wage and price controls, leaving for your personal budget all the added costs of meeting its burdensome requirements, as well as the effect on your income of the control itself.

Then there are many other controls of long standing, like those over railroad fares and freight rates. More recently the government took over the railroads under "emergency control," which is still in effect, but the budget for operating the railroads of the nation is not in the one-third of your income taken by government.

And there are innumerable other laws and licenses. The United States Department of Commerce itself has said:

> "Practically every business, large or small, is affected by some form of governmental licensing control. A license is a permit or authorization to engage in some business or activity."[3]

Licenses are power, or otherwise they might as well be dispensed with.

Free Market Seems Non-Existent

Now I ask you, in view of all this: What is the present status of the free market and marketing in the United States today, under these conditions? This freedom seems to me to be practically non-existent. Unless things are changed drastically, I say in all seriousness that we might as well abandon the American Marketing Association, and join the American Historical Association — or perhaps even better yet, join either the American Foundation for the Blind or the American Prison Association, because as Hamilton said: "Control over a man's subsistence amounts to a control over his will."

The Great Hypocrisy

It should now be clear that when I spoke of how shocking it would be if I were to draw a gun and shoot our esteemed Chairman, I was not merely trying to be dramatic. My purpose was to focus one side of this professional hypocrisy. The hypocrisy is that the taking of only one life in a certain manner causes a rightful upsurge of resentment against the murdered, whereas if the same person were to administer an almost infinitely greater crime of a similar nature, he would be called a public servant, lauded as a hero, honored and revered.

We all recall how during World War II a leading advertising executive became the administrator of price controls, and how in World War II½ a former top

Continued on page 47

*Part of an address by Mr. Harper before the American Marketing Association, Boston, Mass., Dec. 27, 1951.

1 Details of this calculation will be supplied on request.

2 Edmond E. Lincoln, "Sobering Realities Regarding Tax Burdens," *"The Commercial and Financial Chronicle,"* (April 1, 1948).

3 "Small Business and Government Licenses," U. S. Department of Commerce, Page 1; United States Government Printing Office, 1950.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canada: 1951-1952 — Brochure — A. E. Ames & Co., 2 Wall Street, New York 5, N. Y.

Endowment Fund of Massachusetts Institute of Technology—Review of its investment policies — Putnam Management Company, 50 State Street, Boston 9, Mass.

Industry Outlook—Trades with favorable and unfavorable potentialities for the new year—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Investing in 1952 — Bulletin — Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

New York Bank Earnings — Preliminary figures for 1951—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 17 issues available Jan. 14—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 12½-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Preferred Stock Offerings in 1951—Annual compilation—Union Securities Corporation, 65 Broadway, New York 6, N. Y.

Review of Reports — Issued on **Argo Corp., Black, Sivalls & Bryson, Central Steel & Wire Co., National Gas & Oil Co., Pickering Lumber Corp., Plywood, Inc., Polaroid Corporation, Robert Gair Company, Seismograph Service Corp., Texas Illinois Natural Gas Pipeline,** and **Buda Company**—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Securities Widely Held in Wisconsin—Tabulation of year-end quotations and 1951 dividend payments—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a memorandum on **Pabst Brewing Co.**

Value Line Ratings & Reports—Special one-month offer for $5—including summary of recommendations on 527 stocks—Arnold Bernhard & Co., Inc., 5 East 44th Street, New York 17, N. Y.

• • •

American Telephone & Telegraph Co.—Memorandum—Simon, Strauss & Himme, Savoy-Plaza Hotel, New York 22, N. Y.

Arkansas Natural Gas Corp.—Memorandum—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

Bausch & Lomb Optical Company—Illustrated brochure—H. A. Riecke & Co., Inc., 1528 Walnut Street, Philadelphia 2, Pa.

Bullock's Inc.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Central Public Utility Co., 5½s of 1952—Study—Ernst & Co., 120 Broadway, New York 5, N. Y.

Empire State Oil Company—Report—Grimm & Co., 14 Wall Street, New York 5, N. Y.

Erie Railroad—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Gas Industries Fund—Circular—Colonial Associates, Inc., 75 Federal Street, Boston 10, Mass.

Gear Grinding Machine—Write-up—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available are write-ups on **National Company, Riverside Cement "B,"** and **Seneca Falls Machine.**

Hayden Hill Cons.—Bulletin—J. Russell Tindell, Empire State Building, Spokane, Wash.

Jessop Steel Company — Analysis—Cantor Fitzgerald & Co., Inc., 224 North Canon Drive, Beverly Hills, Calif. Also available is an analysis of **Bulolo Gold Dredging Limited.**

Kaiser Steel Corp. — Special Report—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

Kuhlman Electric Company — Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Maryland Drydock Company,** and a memorandum on **Texas Engineering & Manufacturing Co.**

Continued on page 47

No 1952 Shortages!

Ross D. Siragusa tells Sales Convention TV industry still has vast virgin market yet to be exploited.

Ross D. Siragusa, President and Chairman of Admiral Corporation, opened the company's 1952 national sales convention in Galesburg, Ill., on Jan. 3 by predicting that shortages so freely prophesied may not materialize in 1952.

Ross D. Siragusa

"Ever since Korea the economic forecasters have consistently overestimated the impact of the defense program on the civilian economy and underestimated the ingenuity and productive capacity of American industry," he told over 800 distributors and salesmen from the 48 states and a dozen foreign countries.

"I am more bullish by far on our TV industry than on any other in existence today," Siragusa said. "No other major industry still has such a vast, virgin market yet to be exploited."

Mr. Siragusa said that the hard days of 1951 were not without their blessings. Inventories have been lightened considerably, he pointed out, and TV sets now at the factory and in distributors' hands amount to only two weeks' sales at their recent rate.

Mr. Siragusa also said that despite the sales slump in mid-1951, Admiral Corporation did not have to do any outside financing during the year and now is in the strongest financial position in its history, with cash on hand totaling $20 million and a net worth of approximately $40 million, an increase of $7,250,000 in the last 12 months.

J. Arthur Warner Co. Elects Officers

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that Thomas C. Kehlenbach has been elected President, and Theodore J. Moynahan has been elected Vice-President of the firm.

Walston, Hoffman Foreign Dept.

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, announce the removal of the firm's foreign department from its branch office in the Waldorf-Astoria Hotel to its main New York office at 35 Wall Street. The department will be managed by Eric A. Moederle, a general partner, who will have as associates Fred Hausdorff and N. Z. Moreno. Removal of the department is coincident with the firm's recent opening of a Representative Office in Lugano, Switzerland.

The firm also announces that Irwin Mitchell has been appointed Resident Manager of its Waldorf-Astoria office.

Westheimer Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Edwin C. Tessel has been added to the staff of Westheimer and Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

W. D. Riggs Retires After 54 Years With "Chronicle"

A name and a personality, William D. Riggs, who is known from one end of Wall Street to the other, after 54 years of faithful service as Business Manager and Advertising Representative of the "Commercial and Financial Chronicle," will be missing from the Wall Street district when the "Chronicle's" "Annual Review and Outlook Issue" appears on Jan. 17th.

William D. Riggs

As the paper's advertising representative, Bill Riggs, as he is affectionately known, has been a familiar figure in the offices of most of the city's banking institutions, New York Stock Exchange firms, bond houses, and corporations.

And now in his 75th year of age, the dean of the "Chronicle's" business and advertising staff is retiring from active business to enjoy leisure time on his farm in Hanover, New Jersey, after a winter stay in Florida and a summer in Maine.

At a private dinner given to him this week by some of his intimate friends and associates, Mr. Riggs reminisced in a happy vein with references to the changes that have occurred during the 54 years of his participation in the world-famous "Street," where the Bulls and Bears meet daily from 10 to 3.

Reviewing his career, Mr. Riggs stated that "My 54 years of service for the 'Chronicle' has been a fascinating and exciting experience, and I need not recall many incidents to prove that there have been few dull moments in the world of finance and corporate development.

"I distinctly remember the battle between the financial giants of the past half century, when James J. Hill and Edward H. Harriman and their sponsors clashed in a fight-to-the-finish struggle, resulting in the historic Northern Pacific corner, and other exciting events in which John Pierpont Morgan, the elder John D. Rockefeller, Andrew Carnegie, Charles Schwab, James J. Stillman and others played big parts.

"To me, it does not seem so long ago when the big plungers and speculators in Wall Street annals had their fling; when names like Keene, Gates, Theodore H. Price, Jay Gould, Cutter and Jesse Livermore were on every tongue."

Continuing, Mr. Riggs told his listeners, "It was not so long ago when a $5 or $10 million public bond underwriting was big financing in the 'Street' until the first World War, when J. P. Morgan & Co. handled a half-billion offering as fiscal agents for Great Britain and France. That undertaking inaugurated the multi-billion dollar era in American finance and industrial enterprise.

"During my 54 years of active service for the 'Chronicle,' the 'Street' has seen the passing of a succession of individuals and firms, too numerous to mention tonight, great names and firms to conjure with, that have figured prominently in the financing and development of our country's industries. It may be interesting to know that from 1898, the year I started on my job at the 'Chronicle,' our country's national debt has increased from a little over a billion dollars to $258 billion and the national income from a few billion to around $300 billion.

"Back in my natal business year, the most that any New York City banking institution could boast was a few hundred million dollars in resources, which is a poor comparison to make with the resources of such institutions as the Chase National Bank, with over $5,600,000,000 resources; the National City Bank, with over $6 billion of resources, or the Bank of America of San Francisco and Los Angeles, with over $7,500,000,000 resources.

"So like 'Topsy,' this young and lusty country just 'growed up' until there are nearly 50 corporations grossing over a billion dollars of assets. In the short space of 54 years of my active business life our country has advanced from a small insular nation of 63 million population to over 151 million and the international leadership of the world.

"To you, my oldest and most intimate friends, may I be pardoned if I close with an expression of pride in the fact that I have been privileged to work side by side with you and with such men during my time as William B. Dana, John G. Floyd, Jacob Seibert, Jr., Herbert D. Seibert, and William Dana Seibert, who have been the managing editors and publishers of our paper during the past 113 years of its honored existence."

In his introductory comments, Dr. Aaron M. Sakolski of the "Chronicle's" Editorial Department, mentioned the high esteem in which Mr. Riggs was held by his associates and the "Street" firms, referring to Mr. Riggs' meticulous and untiring attention to detail requirements. Dr. Sakolski also complimented Mr. Riggs on his affability and other friendly traits and also his faithfulness to the "Chronicle" traditions and policies, and ended his remarks with congratulations for Mr. Riggs' long life and conscientious effort in the "Chronicle's" interest.

Paralleling Mr. Riggs' association with the "Chronicle", Miss Elizabeth Kelly, another member of the staff, is still active in its Editorial Department.

Some years ago, Mr. Riggs' brother, Charles C. Riggs, now Chairman of the board of Lamborn & Co., 99 Wall Street, this city, was identified with the "Chronicle's" Editorial Department, and his uncle, the late James W. Riggs, was another member of W. D. Riggs' family who helped the founder of the "Chronicle," the late William B. Dana, formulate development plans of the paper's various features besides contributing articles to its columns.

Twombly Director

The election of Edward B. Twombly to the board of directors of The First National Bank and Trust Company of Summit, New Jersey, has been announced. Mr. Twombly is a member of the law firm of Putney, Twombly, Hall & Skidmore and is also a director and general counsel of Distributors Group, Inc., investment fund managers for Group Securities Inc.

Furman Director

GREENVILLE, S. C.—Following a board meeting of J. P. Stevens & Co., Inc., held here, Robert T. Stevens, Chairman, announced the election of Alester G. Furman, Jr., as a director to fill a vacancy on the board. Mr. Furman, a resident of Greenville, S. C., is General Partner of Alester G. Furman Co., Greenville insurance, real estate and investment firm.

Corporate Profits, Private Sales And Defects in SEC Laws

By HON. HARRY A. McDONALD

Chairman, Securities and Exchange Commission

Commissioner McDonald lists among problems facing SEC and securities field (1) increase in private placement of new investments and the question of requiring their registration; (2) general revision of existing registration requirements; (3) passage of Frear Bill, which would place large corporations with unlisted securities under SEC regulations; and (4) consummation of "unscrambling" plans for holding companies.

In entering upon its 18th year, the Securities and Exchange Commission continues to avoid any prognostications of things to come. However, a few observations about things we do know about may be in order.

Harry A. McDonald

In mid-December, when this article was being written, stock prices were within 3% of the peak that had been reached in September. Corporate profits after taxes cannot yet be computed, but it is likely that they will be lower than the peak of almost $23 billion reached in 1950 and higher than the 1949 figure of $17 billion. In spite of the decline in profits, it is probable that total dividends in 1951 will be close to the 1950 figure of $9.2 billion.

Our preliminary figures indicate that the total amount of securities offerings by American corporations in 1951 will exceed $7.5 billion, as compared with $6.4 billion in 1950, $6.1 in 1949, and $7.1 in 1948. More than 85% of the financing was for new money purposes, reflecting the tremendous expansion in plant facilities now under way. Included in these amounts are the privately-placed issues which may reach a total for the year even higher than the record amount of $3.1 billion reached in 1948.

The great postwar increase in private placements has been watched with concern by members of the securities industry, but the competition they are getting from the institutional investors will not diminish, and may well increase, if the insurance companies continue to grow at the extraordinary rate reached in recent years. It has been suggested that privately-placed issues should be registered with the SEC just as public offerings are, and by reason of the advantages of such a measure for investors we at the Commission would be sympathetic to it, but we believe the initiative should come from the industry. Above all, we do not regard the registration of privately-placed securities as a panacea for the investment industry. The issue will have to be fought out in the market place.

One of the things I still hope to see, despite a number of past disappointments, is a general revision of the registration requirements of the Securities Act of 1933 in a manner that will more nearly effectuate the intention of the framers of the statute. I think the statute has been a great success in getting reliable and comprehensive information to the financial manuals and to the professional investors, and I think this has helped towards establishing fair prices for new issues. But the statute is not succeeding in its purpose of getting intelligible information to the unsophisticated investor, and the provisions regarding the permissible offering date of new issues and the employment of prospectuses are in my opinion quite unworkable.

Adoption of the Frear Bill would serve to close certain loopholes which now exist in the securities laws. If a security is listed on a stock exchange, the company involved is required to make periodic reports of its financial condition; its proxy-soliciting practices are regulated by the SEC, and certain trading practices by corporate insiders which can lead to abuses are prohibited or otherwise discouraged. These statutory provisions are not available to investors if their securities are not registered on an exchange. The Frear Bill, in general, would extend these provisions to all companies of substantial size the securities of which are publicly held, whether or not such securities are registered on an exchange.

One of the things which gives us particular satisfaction at the SEC is the record of accomplishment under the Public Utility Holding Company Act of 1935. The great program of utility system integration and simplification envisaged by that Act has brought about the elimination of most of the complex and sprawling utility empires. Some 750 companies with assets of over $10 billion have been divested of holding company control, with the result that they are no longer subject to SEC jurisdiction. Some very difficult cases remain, and we are hoping for substantial progress in the coming year. There have also been brought into being, or will be, some 20 fully integrated holding company systems satisfying the standards of the Act, with assets today of some $7 billion, amenable to effective and enlightened regulation in the interests of consumers and investors.

The electric and gas industry has undergone an unparalleled expansion since the war, with $3.7 billion spent on plant expansion in 1951 alone. We believe that the successful financing of this program has been made possible in large part by the vast corporate reorganizations which were achieved under the Holding Company Act, and we think the manner of the financing will have incalculable benefits for investors and consumers in the future.

McDonald to Head RFC

Chairman of SEC selected by President Truman to succeed W. Stuart Symington.

On Jan. 7, President Truman announced the appointment of Harry A. McDonald, Chairman of the Securities and Exchange Commission, as Administrator of the Reconstruction Finance Corporation to succeed W. Stuart Symington, who resigned to reenter private business.

Mr. McDonald, who is a Republican, was formerly a partner in the Detroit investment firm of McDonald-Moore & Co. He was appointed a member of the Securities and Exchange Commission in 1947, and became the Chairman in the Commission in 1949.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Philip T. William is now affiliated with Interstate Securities Corporation, Commercial Bank Building, members of the Midwest Stock Exchange.

What's Needed to Attract Investment in Railroads

By DAVID C. BEVAN*

Vice-President in Charge of Finance, Pennsylvania Railroad

Financial executive of Pennsylvania Railroad, in reviewing situation relating to investments in railroads, calls attention to low earnings rate on railroad capital as cause of investors' lack of interest in railroad securities. Says low earnings ratio is not due to inherent inability of railroads to make money, but to a regulation policy that gives no consideration to railroads' need to attract new capital. Denies rail management is inefficient and unprogressive. Scores over regulation of rail carriers.

My entire business career has been in the financial world and only recently have I concentrated on railroad finance. Therefore for the next few minutes I want to look at the railroads primarily from a financial or investment point of view. I am sure some of you are interested in that point of view, and that all of you are interested in the implications of the meagerness of railroad earnings and the overabundance of regulation. Corrective measures are necessary if the railroad industry and ultimately all free enterprise is not to be destroyed. To bring public attention to these facts, particularly to leaders of commerce such as yourselves, will aid, I believe, in stimulating interest in remedial legislation. I am happy that you have provided this important forum for a discussion of the public stake in the railroad industry and I thank you for inviting me.

David C. Bevan

First a few words about my own company's financial history. The Pennsylvania Railroad Co. has never since its incorporation in 1846 failed to meet a financial obligation when due. It has an unbroken record of a return to its stockholders in every year for the past 104 years, even though admittedly that return has been meager in recent years. In this long stretch of time our national economy has passed through cycles of prosperity, depression, financial panics, labor disturbances, destructive wars, subsidized competition, and is now confronted with the problems of inflation.

The task of the Pennsylvania Railroad management today is to overcome all obstacles to a continuance of this long and favorable record. Despite the feeling to the contrary among some investors, I find among our executives both a determination and a conviction that we can restore our earnings to a proper level—given reasonable conditions. To achieve those conditions, we and the other railroad companies seek your understanding.

Financial Situation of Railroad Industry

Let us examine some of the outstanding financial features of the railroad industry, then delve briefly into the underlying causes which admittedly have brought railroad investments into disfavor with most corporate and individual investors. Then I should like to point out some of the possible solutions.

I think I should warn you that I intend to quote several times from a most interesting and revealing document which has recently been published, and which I consider "must" reading for everyone who is interested in any of the many forms of transportation upon which the well-being and national defense of our country depend. The document I speak of is the "Progress Report" of the Senate Committee on Interstate and Foreign Commerce issued by its domestic land and water transportation Sub-Committee. Although this Progress Report has not as yet been officially accepted by the full Senate Committee, I am sure you are going to hear a great deal more about it in months to come. It calls for a review of our laws regulating transportation agencies; and such a review is long overdue.

It is axiomatic in the investment world that for any industry or company to merit a place in the portfolio of the sophisticated investor it must earn sufficient money constantly to attract new investors. This is just as true in regulated industries, if not more so, than in the case of the unregulated industries, and State Utility Commission after Commission has confirmed this sentiment of investors.

As sophisticated investors you face the outstanding fact that only once in 30 years has the railroad industry as a whole earned as much as 6% on net investment, and that was in one of the war years. The average rate of return for the past 30 years has been only a little over 3½%, which is also the average for the 15-year post-depression period of 1936-1950.

On this record, railroad securities have not been attractive and therefore not competitive with other investments in this dynamic period of American industrial growth. Other regulated industries have been allowed far better earnings—the electric utility industry during the past 15-year period has averaged 6½% and the telephone industry around 6%, compared to the railroads' 3½% on net investment.

If we compare the rate of return on net worth instead of net property investment, we find that the average for the railroad industry in the 15-year period was 3.6% and for 1950, 5.6%. This compares with the Bell Telephone System figures of 7.35% for the period and 10.2% for 1950. And more power to them. On the same basis, the return for manufacturing corporations is 11% and 17% respectively.

In 1950, the Class I railroads in the United States with an overall investment, including current assets, of over $31 billion, reported net income of $780,000,000. As contrasted with this, three large industrial companies, with a combined gross investment equal to one-third that of the railroad industry, reported earnings in 1950 that were twice this total. Is it any wonder that with that outlook for investors that capital stock outstanding in the railroad industry in 1920 totaled $8,800,000,000 and in 1950 only $9,100,000,000, an increase of less than 4% in a 30-year period? This fact occurs I remind you, in a period which probably represents the greatest period of expansion in the history of our country.

These dollar figures do not stem

Continued on page 28

*An address by Mr. Bevan before the Chamber of Commerce of the State of New York, New York City, Jan. 3, 1952.

The 1952 Stock Market Outlook

By HEINZ H. BIEL*

Partner, Emanuel, Deetjen & Co.

Market economist urges caution because dividends have not kept pace with rise in stock prices; corporate earnings will be squeezed by higher costs, price control, keen competition, and enforced production curtailment; decline in corporate liquidity; lessening of inflation stimulation; and imminent personal tax inroads. On other hand, as supporting factors Mr. Biel cites good business prospects; capital-gains tax freezing; absence of speculative excesses; and under-investedness of institutional investors. Urges policy of selling on strength, and attitude of selective bullishness midst general bearishness.

Personally, I have been bullish on the market for the past 2½ years. Occasionally I had some reservations, but minor reservations. But recently my doubts have become somewhat more pronounced. Today, I am not nearly as confident as I was in 1949. Here are some of my reasons:

Heinz H. Biel

(1) Stock prices have advanced quite substantially. Even the comparatively sluggish Dow-Jones Average is up about 68% since the middle of 1949, and about 36 points since the end of 1950. Dividends, which in the long run are a most potent market factor, are not keeping pace with the rise in stock prices. As a result, the dividend yield on the industrial average has declined to 5.66% from 6.50% a year ago. At the same time, there has been a profound change in the bond market. The yield on the Dow-Jones 40 bond average has risen from 3.26% a year ago to 3.65% at present.

I admit that the stock yield is still generous by comparison. The spread between stock and bond yields is still wider than has ever been the case at important stock market peaks. Yet, the trend of rising bond yields and declining stock yields is somewhat ominous. If nothing else, it at least poses the question as to whether there is much room for a further general rise in stock prices.

Squeeze on Earnings

(2) Economists and politicians alike are predicting another record-shattering year. All the indices by which we commonly measure prosperity, will rise to new peaks in 1952; production, employment, gross national product, disposable incomes, etc. But have you seen a prediction of record-breaking corporate earnings, *after* taxes? I have not. And I have not noted even a prediction of record-breaking corporate profits, *before* taxes.

Corporate earnings will be squeezed this year by a combination of higher costs, plus prices controlled either by OPS on the one hand or by very keen competition on the other. Some businesses will feel also the effect of enforced production curtailment. Many things can happen between now and the end of the year, but at this time it appears unlikely that corporate earnings in general will increase above the 1951 level. A moderate decrease is more probable.

(3) Corporate dividend policy has been notably conservative in recent years. Last year, somewhat less than 60% of profits was distributed in dividends. Of course, it may be argued that a moderate decline in earnings would not necessitate dividend cuts. It might even leave room for dividend increases because the payout rate has been quite low.

However, such optimism appears unjustified. The liquidity of American corporations is deteriorating. Cash requirements for plant expansion, planned or underway, still are huge. In many instances working capital is not keeping pace with the rising dollar volume of sales. Meanwhile, credit is getting much tighter. It is becoming increasingly difficult to raise long-term capital—borrowed money or equity money. Corporations are forced to raise capital via convertible securities, a method usually chosen when straight bonds or preferred stocks can not be placed easily and when the market is not receptive to the sale of additional common shares. Significantly, it is not easy any longer to form underwriting syndicates for some of the less well-established investment names, regardless of the attractiveness of the terms.

When the money and capital markets are tightening, few corporate managements will incline towards greater liberality in dividend payments. The opposite is probable.

The Sting Out of Inflation

(4) Inflation still is a threat. It will, and should, continue to influence long-term investment decisions. But you can rule out inflation as a potent stock market factor, at least for the first half of 1952. The sting has been taken out of inflation, temporarily, by our increased productive capacity, bulging inventories, tightening of credit conditions, a tough tax policy, and a fairly well-balanced Federal cash budget.

Inflationary factors may reassert themselves some months hence. If we go through with our armament plans, the Federal Budget will be deeply in the red by mid-year. This being an election year, a further tightening of the tax screws is hardly feasible, politically. If there should be another round of wage increases, this, too, will add fuel to the fire of inflation. Yet, these are not factors of *immediate* effectiveness. For the next several months at least, prevailing deflationary trends may prove to have greater potency stock marketwise.

(5) I wonder if all of us realize what taxes we shall have to pay by March 15? They will be much larger than most people have estimated. I foresee a certain amount of selling between now and March 15 simply in order to raise funds for income tax payments. Will this be of sufficient volume seriously to affect the whole market? I am quite sure that it will not generate an advance in prices.

I am not profoundly bearish on the market. That would be an exaggeration. Keep in mind that the Dow-Jones industrial average rose 23.8% in 1949; 17.6% in 1950, and 14.4% in 1951. I do not think that the underlying factors, some of which I have discussed, justify the expectation of a similarly favorable market performance in 1952.

It seems more likely that the average level of stock prices this year will be somewhat lower than prevailed during most of 1951. However, I see no reason for a decline of *major* proportions. Numerous factors continue to lend strong support to the market:

Supporting Factors

(1) Business will be very good this year. In spite of everything, earnings and dividends in 1951 should comfortably support stock prices approximating today's level.

(2) Investors are inflation-minded with considerable justification. They will prefer to own stocks.

(3) Many long-term investors simply cannot afford to sell for capital gains tax reasons. Only the fear of serious deterioration in business prospects could dislodge such investment positions.

(4) This has largely been a cash market. Debit balances are insignificant in relation to the market value of listed stocks. There are no speculative excesses to be corrected.

(5) Many institutional investors are underinvested in common stocks and anxious to increase their holdings of good equities. They are waiting for lower prices. Buying from this source may cushion a market decline before it reaches serious proportions.

If I attempt to mention further reasons why the market should hold up well in 1952, I might work myself again into a bullish frame of mind. However, even at the risk of being proved wrong in the near future, and of not being asked again to appear before this audience, I venture the prediction that the *general market* will not this year rise substantially above last year's high. It may go somewhat below the 1951 Dow-Jones index low of 239. During the greater part of 1952 the Dow-Jones average may hover within 10 points of either side of the 250-255 level.

What Advice?

With such prospects in mind, what should we advise our customers to do? First of all, we should think in terms of selling on strength. It is a common fault of most of us that we go out on a limb recommending stocks to buy, but rarely present sell recommendations. Another common fault is the tendency to become more optimistic when the market is strong. This is the unhealthy influence of some chart theories which encourage bullishness *after* a rise to a new high, and bearishness *after* a decline to a new low.

There are few accounts that do not include securities which are not suitable and were never intended to be kept as permanent heirlooms. Unless such stocks have particularly favorable prospects they should be disposed of in order to create a reserve of buying power. New purchases of common stocks should be withheld at present levels, except for accounts which are greatly under-invested.

The stock market has become increasingly selective in recent years. Cross-currents resulting from the defense program and the varying susceptibility of corporations to the excess profits tax will continue to cause divergent price movements of common stocks. Up till recently, I have been *generally bullish* and *selectively bearish*. Now, however, I advocate the reverse policy: be *generally bearish* and *selectively bullish*. At this stage, the burden of proof should rest with the bulls.

In closing, I would stress the increasing importance of income taxes on investment policy. In my opinion, there are only two investment media which are suitable for an investor of means: common stocks and tax exempt bonds. Customers' brokers have done much to widen the ownership of common stocks. There is a wide-open field for further activity in familiarizing investors with the advantages of tax exempt securities. It is beyond my understanding why individuals in high tax brackets—and you get there before you know it—should own high-grade preferred stocks and bonds "for income."

*An address by Mr. Biel before the Association of Customers' Brokers; New York City, Jan. 8, 1952.

Brown V.-P. of Tri-Continental

Fred E. Brown, Jr. has been elected a Vice-President of Tri-Continental Corporation, it was announced Jan. 9, 1952. Mr. Brown has been with Tri-Continental since 1936 and is a Vice-President of its associated open-end investment companies — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Private Placement Through W. E. Hutton

The Peoples Water & Gas Co. has placed privately, through W. E. Hutton & Co., $2,240,000 of the company's 5% debentures due June 1, 1971, with common stock purchase warrants attached.

Pressure Groups vs. Social Justice In a Defense Economy

By HON. JOSEPH C. O'MAHONEY*
U. S. Senator from Wyoming

Scoring self-seeking of pressure groups as destructive of social justice, Sen. O'Mahoney stresses seriousness of death struggle in which our private economy is now locked. Points out a defense economy is abnormal and not an end in itself, and social justice does not permit some to prosper at expense of others. Says our greatest need is economic partnership to strengthen the American economy and achieve a unity, free from pressure groups and class conflict.

Economic discussions can be utterly futile nowadays, unless carried on with a clear understanding of the singular character of our times. This is a period of deep change. Political and economic structures have undergone extraordinary transformation. The mural decorations in this room, illustrating so vividly the maritime history of Massachusetts, the square-rigged ship that once made Salem one of the great commercial ports of the world, and the steamboats with the side-wheelers, tell the story of a transporation system that has ceased to exist. They are evidences of the fact that the last fifty years have seen the greatest scientific and technologic revolution in the written history of man.

Sen. J. C. O'Mahoney

A wheel in the time of Washington and the siege of Boston turned no faster than the wheels of the Romans and Carthaginians when they were fighting for control of the Mediterranean world. Steam and electricity had not been invented to put speed into the revolutions of a wheel. They had not wrought the industrial and economic revolution which has made our time so different from any other age in which men have lived. Before steam and electricity, the economics of war were utterly different from those of our time, but I am confident that many of our political and economic leaders, indeed many of our military leaders, are not aware of the change.

The struggle now going on in the world will determine whether or not a free economy or a totalitarian economy is to prevail. Therefore, this is no ordinary defense economy in which pressure groups can protect themselves or in which social justice is to be achieved by any attempt on the part of individuals, groups or classes to improve their own special standing. It is an economy which will determine the extent to which people are willing and able to support on the home front whatever military forces we are compelled to assemble in defense of freedom on the fighting front.

There are no gains to be won by those who constitute the different segments of the defense economy in the free world. There are only losses to be shared. This is no time for persons to be competing with one another for a larger portion of what they mistakenly assume to be the profits of the defense economy, for a defense economy is really no economy at all. It is a perversion of the normal productive activities of society from the constructive purposes of peace to the destructive purposes of war.

Neither is this a time in which to hope for the achievement of social justice if by social justice we mean a state of society in which all groups receive a just and proper reward for their contributions to society. Such a social state is impossible of attainment in time of war or preparation for war. Both war and preparation for war are times in which the waste and destruction of human and material resources are measured only by the degree to which science has advanced. The greater the progress of science, the greater the area of human and material destruction.

This "defense economy" is a time for sacrifice, not alone by those who struggle on the heartbreak ridges of bitter battlefields, but by every one of us who by our daily activities will help to make or break the economy upon which the hope of freedom depends.

Neither Profit Nor Glory in War

In times past nations going to war sought to compensate themselves for their material losses by the booty they brought home, and for their human losses, by the oppression they inflicted upon the conquered and by the cloak of military glory with which they vested their military heroes. Surely if any people on earth ought to know that there is neither profit nor glory in war, we are that people — we who call ourselves Americans and Christians. As Americans we know that in this bloodiest of all centuries of human history we threw into battle the military and economic force that turned the scale of victory in two world wars. We know not only that we sent our men abroad to fight and die on foreign soil, but that we scattered in destructive waste over all the continents and all the oceans the natural resources which had made this the greatest of all industrial nations. We know also that the debt of neither world war has yet been paid, that our Allies in both of those wars are now economically impotent and that we are now busily preparing for a third world war by the mobilization of our human and material resources for another world-wide conflict in which our whole system might easily collapse.

This we ought to know as Americans. As Christians we know that the Divine Teacher whom we profess to follow came into the world as the Prince of Peace.

This being true, our thoughts should be directed, not toward the protection and preservation of illusory gains to be derived from the "defense economy," but rather to a new appraisal of the nature of the defense economy, asking ourselves whether it is possible by an appeal to force to perpetuate either the political freedom to which our nation was dedicated or to preserve the Christian philosophy and the Christian way of life which is now assailed by the grossest and most powerful materialistic tyranny that ever stalked the earth.

Leaders of pressure groups, farmers, workers, business men, leaders in economic life and leaders in political life cannot afford to ignore the basic nature of the death struggle in which the private economy is now locked. It is opposed by a totalitarian foe which understands far better, I fear, than most of us the economic danger in which we walk. There are no pressure groups within the Soviet economy.

The Communist regime itself is a frank and open pressure group boasting that it is the dictatorship of the proletariat. It does not hesitate to pursue its ends by the liquidation of all dissident individuals and groups who dare to question the arbitrary power of the dictatorship. The free peoples, upon the other hand, pretend at least to believe in equal rights, without regard to race, creed or economic status for all peoples. The free nations who have built modern civilization on a Christian foundation, recognizing the dignity of the individual and his free will, have achieved a degree of social justice that rises far above the standards of any pagan tyranny. These free peoples stand in danger of losing all their gains for lack of understanding that the [illegible] and selfishness [illegible] viet leaders [illegible] tions, bel[illegible] human [illegible] whole [illegible]

*An address by Sen. O'Mahoney on the Economic Science and Catholic Social Program, Annual Meeting of the American Economic Association, Boston, Mass., Dec. 29, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

Now that General Eisenhower has finally spoken, in the aftermath of the first headlines, even his warmest admirers, and certainly those professional politicians who look upon him as a vehicle to places in the political sun, feel a let-down. He is not a candidate, he will do nothing to seek the nomination, but if the fellows can work out a "draft" for him on the Republican ticket he will accept. I know of no person in the United States who wouldn't do as much. And the rather general feeling in Washington, including the secret feeling of his managers, is that this alone won't get him the nomination.

Carlisle Bargeron

The General, not being schooled in the mechanics of American politics, is apparently not as realistic as was the late Senator Vandenberg, worshipped by the same crowd that worships the General. The Senator came to the Philadelphia Republican convention in 1948 advertised as a dark horse and a man likely to be drafted. In 1940 he had swallowed the newspaper stuff that he was a man who could be President if he would ever just lend his name and he announced his candidacy and was promptly trounced in the Wisconsin primary by Dewey.

Now, in 1948, he had come to be accepted by the Internationalist and global-minded crowd and was enjoying a much higher estate in the Eastern press. Indeed, in its mind he had become a statesman. So he came to Philadelphia without having announced any candidacy and without any delegates save those from his own state, but with the old newspaper talk that he might be drafted. Undoubtedly it ran through his head that this might come true.

After the balloting and Dewey's relatively easy nomination, I ran into the Senator outside the Warwick Hotel waiting for a friend to bring up a car and take him out to a party with friends. I expressed my sorrow that he hadn't got further. He laughed uproariously and kept repeating: "Carlisle, you know me better than that. I know and you know what they wanted to do with me."

He meant the stop-Dewey forces were trying to use him to stop Dewey. They wanted to get a rally going in the Senator's behalf with this end in view. He recognized his "support" for just what it was worth and refused to be a party to it. He was obviously happy that he hadn't fallen in with the plan.

General Eisenhower, although surrounded by some very politically astute men, does not on the surface seem to realize that this professional support is not dedicated to making him the next President of the United States so much as it is to stopping Taft. Yet he may realize this after all in view of the cautious commitment he has made. When you analyze it, there is ground for the impression he has been sold on the idea that it is his duty to help knock off Taft in the interest of saving the "Free World."

His candidacy as such is an impossible thing. The same mixed and hybrid forces that were behind Wendell Willkie are in the forefront of his candidacy. They are the same forces who say the country is going to hell under the Democrats but unless they have their overall and crazy way in foreign affairs, the country can and should go to hell. No compromise with them is possible.

The General is to make no campaign; he is not to discuss any issues. But his friends such as the Luce publications will let us know how he stands. Senator Lodge is authorized to state he is an "enlightened Republican." That should be enough to frighten the real Republicans out of their wits. Does it mean he is a Republican of the stripe of Senator George Aiken, of Senator Charles W. Tobey, of Wayne Morse? Obviously he is of the stripe of Dewey, of Senator Jim Duff and Stassen: that should be warning enough.

What is not looked for, yet is within the realm of possibility, and it would certainly cause some red faces, would be for Truman to pull the rug out from under the General's reticence, by taking the attitude he doesn't want to restrain the General from campaigning and relieving him to come home for the fight. You can bet, in fact, that as time goes on, there is going to be political pressure upon the President to do just this; there will be propaganda about how mean Truman is to keep the General tied down and under wraps over there. In the circumstances the President may decide gleefully to let the General come home and be thrown to the political wolves.

But as things stand now, the Taft campaign has profited immeasurably from the General's statement. The worst cloud over the Senator's chances was the possibility of the Republican convention being held under a propaganda chorus that if the Republicans didn't nominate Ike the Democrats would. He would be a formidable man on the Democratic ticket and the threat of him on that ticket would be a most persuasive argument for the Republicans to grab him up. But that threat is now gone. The General is a Republican, an "enlightened" one. This question being definitely settled, the Republicans can now nominate a candidate whom they think best represents them.

With Taussig, Day Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Jepth[illegible] Smith has become affiliated [illegible] Taussig, Day & Co., Inc., 316 No[illegible] [illegible] members of [illegible] Stock Exchange.

Joins Sch[illegible] Richter

(Special to The Financial Chronicle)

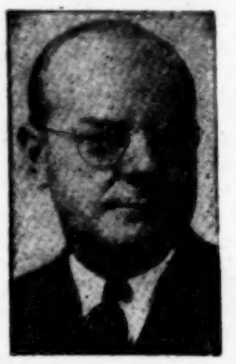
ST. LOUIS [illegible] [illegible]cy is with [illegible] company, [illegible] members of [illegible] Exchange. [illegible] Webb B. Richter Building, [illegible]st Stock

We Must Build Up Our Defense And Keep Economy Strong

By HON. JOHN W. SNYDER*
Secretary of the Treasury

While urging continuation of our defense build-up, and warning of a long period of high level taxation, Secretary Snyder stresses nation's ability to bear its added burdens. Asserts American consumer has never before been so well supplied with means of comfortable living and our present industrial strength is unprecedented. Predicts Treasury deficit in current fiscal year, and stresses need of savings in present crisis.

In the present crisis which confronts us—the Soviet imperialism threatening the structure of world peace—it is imperative that we have unified action on all fronts. All of our power—moral, military and economic — must be joined in the great cause to which we and our allies are dedicated—freedom with peace and justice.



John W. Snyder

And let there be no mistake about it. We want real peace in this world. To seek this, we set up a forum in which men might work out their differences and arrange for solutions of common problems. We tried very earnestly to win an honorable peace across the council table. But the Russians have tried to make a mockery of the vital work and procedure of the United Nations. While we have tried to restore economic and financial stability to nations suffering from the ravages of war, the Soviet Union has sought to dissipate the efforts of our unprecedented and successful aid to free nations and is now trying to destroy the fruits of our aid with the blight of urgent and costly need for self-defense.

As the economic and financial stability of our friends and allies in Western Europe became more certain, Soviet imperialism became bolder and laid down a barrage of direct and indirect assaults on the free world. It quickly became clear that the armed aggression of Korea was but one spearhead in the communist drive against the security of the free world. Knowing this, we cannot afford to be lulled into complacency or to relax our defense mobilization effort. We must face the reality that the forces of Red Imperialism will be poised to strike whenever and wherever weakness appears.

This does not mean, however, that we have abandoned hope that the ultimate road to peace can be found through honorable means—a just disarmament plan. On the contrary, we are still endeavoring to work out such a solution through the United Nations organization. But it does mean that until the time comes when Russia is willing to back up her protestations of peace with deeds and not by mere words—until the time when she is willing to lay her cards on the table with those of other nations and keep them there—we cannot afford for one minute to lower our defense guards. So long as the communist menace to peace and order throughout the world exists, we and our allies must continue to build up and maintain a defense strength of overwhelming superiority.

*From an address by Secy. Snyder at meeting of the Fort Worth Clearing House Association, Fort Worth, Texas, Dec. 31, 1951.

We Must Have Economic Strength Of Free Enterprise

The test of that strength is not alone in the number of tanks or guns or bombs which we can assemble on this side of the Iron Curtain. As our enemies are well aware, the one uniquely powerful weapon of the free world is the productive strength and capacity of the American free enterprise economy. It is essential, therefore, that all of us accept the responsibilities which are ours in protecting and increasing that strength. For it is the mainstay not only of our own defense but of the defense against aggression for the entire free world.

* * *

People were urged to save during World War II. And they did save in unprecedented amounts. The some $200 billion in liquid savings which our people held at the end of the war—and savings bond holdings comprised a substantial part of it—gave them the courage in the postwar years to go out and spend their current incomes, so that for the first time in our history after a war we were able to keep our economy on a very high level. Just so, the savings which our people make at this time are going to mean as much in the future when we have solved the defense problem, and I hope, the war threat.

The purchase of savings bonds — in fact, the accumulation of savings in all forms—is, therefore, one of the main pillars of a sound fiscal program to insure the economic stability of the American economy in the difficult period ahead of us.

A Fiscal Deficit in Prospect

The other main pillar is taxation. The tax bills enacted by Congress in recent months will help cover the heavier defense costs, but during the current fiscal year, on the basis of present estimates, government expenditures will still exceed expected revenues by a substantial margin.

As items in the list of defense costs, the average American no doubt thinks first of the support of our own military establishment, military aid abroad, stockpiling of strategic materials, defense production, atomic energy, defense housing, and the like. In the current fiscal year, the national security programs such as these will require over 70% of all Federal expenditures. But that is not the whole story. Interest on the public debt, and veterans' services and benefits — largely representing expenditures for past wars—will account for half of the remaining Federal costs of fiscal 1952.

Thus, this year's expenditures for past wars, and for preventing another war, will require over 85% of the total Federal budget.

Our military expenditures are necessary for our survival. They must be financed. They can be financed without danger to our economy and without intensifying the strains engendered by high defense output. But to do this, we as a nation must be willing to bear a very high level of taxation for a considerable period to come.

Adequate taxes and increased savings are the foundation of a successful fiscal policy during the period when we are readjusting our defenses to the realities of the present world situation. Supporting them is a very positive way in which every citizen can contribute to the economic stability of the nation. Essential as these two measures are, however, we cannot expect them to do the whole stabilization job alone. The restriction of credit to essential uses, the allocation of scarce materials, and various direct measures for assuring the stability of wages and prices are also necessary. The job is a big one. But it is one that must be done.

As we marshal our resources to meet the crucial threat of communism, we are fortunate that our economy today is one of unprecedented industrial strength. We are far stronger than in 1940 when we began to rearm for World War II. Our production plant is more efficient than ever before in our history. Since the close of World War II, private industry has invested close to $140 billion in new plant and equipment, and plans for further expansion and increased efficiency of operation are moving rapidly ahead. This expansion in production, accompanied by higher prices, has resulted in large increases of income. Total personal income is now over $257 billion, or close to 18% higher than in June 1950 at the time of the Korean invasion.

Average per Capita Income Increased

Our economic progress in recent years, moreover, stands out in even sharper light when we consider the individual consumer today as compared with the standard of living prevailing on the average during the prewar years. We all realize that prices have risen sharply since 1939 and that taxes, also, have increased greatly since that time. But a truly significant development — and one which drives home the measure of our progress—is the fact that the average per capita income today will buy about 40% more goods and services than the average per capita income in 1939, after adjustment for price changes and for all personal taxes.

I do not mean to imply by this statement that every individual American is better off today than he was a decade ago. People living on pensions or other fixed income have been hard hit by rising prices. It is these people who first feel the ravages of inflation, and their interests must be protected. At the other end of the scale, there are, of course, those whose incomes have shown spectacular advances in comparison with the rise in prices. But as a measure of our overall economic progress, we must look to an average for comparison. That shows that the goods and services available to the average American today far exceed those the people living in 1939 were able to enjoy.

The improvement shows up in many fields. For example, the number of automobiles bought in 1950 was double the number bought in 1939, and three times as many refrigerators, vacuum cleaners and washing machines were bought in 1950 as in 1939. We Americans today consume on the average 10% more meat per person than in 1939, with similar substantial increases in the consumption of other good foods such as milk, eggs and poultry. New drugs, such as penicillin—virtually unknown before the war — are now available, and declining prices have accompanied their increased output. Growing numbers of American families are able to afford radios, television sets, nylon clothing, and other new conveniences and luxuries.

Prosperity Will Remain High

While the defense program will reduce the available supplies of various consumer goods, nevertheless the prosperity of the American people will remain high during the period ahead. We are beginning an extended program of national preparedness, the length of which no one at this time can predict. We have already made a long stride toward volume production of the numerous complicated military products, but the main part of the defense program lies ahead of us. In 1952, as the mounting volume of defense expenditures diverts a greater proportion of our manpower and material resources to defense industries, we may expect higher employment and a continued rise in incomes.

It will be impossible, of course, to build up military production and, at the same time, to expect civilian production to keep pace with the rising incomes. We must use every practicable means to control inflationary pressures arising from the inevitable disparity between civilian demand and available civilian goods. This will require personal restraint by all of us against unnecessary buying. It will call for adequate price and credit controls. It will require continued heavy taxes to pay for building a strong military establishment. It will require the largest possible amount of savings by every American citizen.

Fortunately, we are well able to bear the added burdens called for by our need to defend ourselves against the communist threat. The American consumer has never before been so well supplied with both the necessities of life and the means for a comfortable living. By meeting our responsibilities now, out of the wealth of our present resources, we shall prepare the way for a strong and stable economy when the present emergency is over.

The constant threat of communist aggression is a challenge not only to the future of our nation but to the future of every individual American. What we must do is plain. We must mobilize not only our manpower but all the power of our productive skills, of our factories and materials, of our financial strength, and of our faith in human liberty. Once the Soviet rulers see that power completely organized and activated, they may decide that peace is better for the world after all.

Joins Dickson Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Lanier J. Bishop has joined the staff of R. S. Dickson & Company, Inc., Wilder Building.

With French & Crawford

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Carlos W. Jones has become connected with French & Crawford, Inc., 22 Marietta Street.

How International Can You Get?

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A quick glance at some of our military commitments and economic resources, public and private, spread abroad — or around the world in 80 sentences.

As America bids farewell to the exuberances of New Year's celebration, and faces the cold realities of a sick world, run by slick politicians, it should prove interesting to note how long a journey we have taken away from isolationism; and how very deeply we have become involved in widely scattered hunks of real estate all over this populous planet.

Ira U. Cobleigh

It used to be said that the sun never sets on the British Empire. Well, today, the sun never sets on the American taxpayers' buck. To combine two famous quips (by Clare Luce, and the late Al Smith, respectively), the globaloney dollar is everywhere!

Let's start 1952 with a happy realization, the European Recovery Program (ECA) ended last December 24. Up until last June, of $12.3 billion appropriated only $10.7 had been spent—a financial restraint truly remarkable in these bountiful days. Best of all, however, the thing worked. We did succeed in the abetting economic revival and industrial reconstruction of those nations in Europe friendly to us. England has not required aid of the ECA variety since the 1950 year-end. For this year, however, we shall continue British and Continental assistance, much reduced in magnitude, in the Mutual Security Program.

Mutual security today really means something in both a military and economic sense. Under the notable leadership of General Eisenhower, 26 European divisions are in being, and perhaps 1952 may see a closer knitting of this total force. These divisions would obviously be a stronger element if they were the united army of a federation. The Schuman plan for pooling of West European iron and coal, now ratified by all the countries involved except, I believe, West Germany, can create steel production at double the prewar rate. Thus, as we recognize that strong and solvent allies are both necessary and desirable for peace on earth, and the power to stop Communism, we should be encouraged by present European progress.

Other outlets, however, we have for our military and dollar endeavors. Spain is sickly. We've already advanced her $62 million from Import-Export Bank; but we are considering air and naval bases there, and for those better internal transportation is required. So $100 million is earmarked for the land of the fiesta and the home of the bull fight.

Hop across from Gibraltar and you can land at Casablanca where our ubiquitous treasury is building an airfield and a big housing project. Further down the African Atlantic coast you find Liberia. Some public money has been invested here, and private wampum, too. Republic Steel has a fabulous future store of ore staked out here through the Liberia Mining Ltd. Machinery, docks and railroad investment, running into millions, is being supplied by private American industry.

Hop back to North Africa, and behold a new nation, Libya — firstborn of the United Nations. Fully equipped with a million people, millions of acres of sand, a king, a constitution and a famous city, Tripoli, this new nation starts off grubstaked by Britain, France and ourselves. Uncle Samuel has advanced a million for government running expenses, and has a bomber base not far from Tripoli. Buck Treasury rides again.

Move along on this capsule Cook's tour and you reach Egypt. Slick political in-fighting here may bat down the Commies on the make, and the rabid nationalists; but if things go wrong we'll be backing up Britain in defense of Suez. So put down Egypt on our balance sheet as a contingent liability.

In the Near East, support of Turkey is standard operating procedure. Millions of our dollars will continue to flow to Israel; and here is almost an ideal place to retell Harry Hirshfield's fiscal fable. "There was a financial crisis in Israel. At a cabinet meeting, one minister arose urging Israel to declare war on the United States. 'Why,' exclaimed the others. 'Well,' said the first, 'Germany made war on the United States and lost. They gave her $2 billion. Japan made war on the United States and lost—and she got $2 billion! We should make war and lose—and get the $2 billion.' 'Yea,' croaked a critic, 'but suppose we win!' "

Jugoslavia is our boy now; so she too is worthy of our millions and of military aid. No lush field for private investment here, but plenty of opportunity for government support of a poor but strategic ally. For Greece, a side order of ditto.

India is not yet ripe for full scale big brother treatment. The political partition there is too recent, and Nehru has had an annoying habit of playing "footsie" with the Commies. India, however, should be encouraged and brought along with wheat for its undernourished; and only this week there has been some talk of a $500 million credit for Nehru's Five-Year Plan.

Some tangible evidence of improving industrial climate there, however, is found in a new 25-year agreement not to nationalize industry; permission for majority interest to be held by a foreign company; and unrestricted remittance of profits out of India. Content with these favorable terms, Socony Vacuum will build a $35 million refinery in Bombay and two other companies are planning Indian refineries (to refine oil and not Indians!).

Across from India to the East lie Malaya, Sumatra, Java. I don't think these are on our lending list right now, but we do spend a lot of money stockpiling natural rubber and tin. They're vital defense materials—so vital to us that some of these East Indians have been giving us a pretty hard time by price-upping. Seems to me we lent quite a helping hand removing these areas from Japanese dominion. Yet right now we (the RFC) offer $1.12 a pound (way up from prewar) for tin, while Malayan and Bolivian interests now seem to be trying a double squeeze to hit us for $1.50.

Moving up the Pacific, Indo-China and Formosa might yet become military commitments of ours. (We now provide naval patrol for the latter.) And, of course, Japan and the Philippines are regularly listed as dependents on our income tax. Korea, assuming the end of fighting, will need at least $300 million for rehabilitation, and who else but the United States is there to supply this tidbit?

We spent $2 billion in Nationalist China before Chiang lost the ball; we loaned billions to Britain in 1945. They're paying the January interest on this, but no one is silly enough to suggest Winnie is over here to pay up the principal! We've sponsored some housing and hospital projects in Iran, too.

Even this sketchy rundown will give you a rough idea of the perfectly fabulous stake we have all over the world—and most of the loans, advances, credits, or whatever you want to call 'em, are of the persistent and recurrent kind. Quite apart from maintenance of military defense installations, once we get to bankrolling the economy of a backward or benighted place, we just never seem to get off the

Continued on page 37

Commends Departure From Cheap Money Policy

Henry C. Alexander, President of J. P. Morgan & Co. Inc., in annual report to stockholders, says accord between Treasury and Federal Reserve to allow prices of U. S. bonds to reflect market condition has had salutary effect in direction of sounder money and credit.

In a letter to stockholders of J. P. Morgan & Co. Inc., informing them of the bank's operations in 1951, Henry C. Alexander, President of this prominent commercial banking institution, took occasion to comment favorable on the decision of U. S. Treasury to depart from its "cheap money" policy and allow the prices of U. S. Government obligations to reflect conditions of an orderly market.

Henry C. Alexander

Writing on this topic, Mr. Alexander stated:

"In the general field of money and credit, the year just concluded brought certain changes in the cheap money policy followed by the Treasury and Federal Reserve authorities for the past decade or more. After the announcement early last March of an accord between these two authorities, the market prices of long-term 2½% government bonds were allowed to reflect market conditions and were no longer held rigidly at or above par. The salutary effects soon became evident. The Federal Reserve was no longer obliged to increase the supply of money to buy up funded debt at par or more although it continued to maintain an orderly market and increased its total holdings of government securities to almost their highest level in history. Interest rates at both long- and short-term were released from the strait-jacket in which they had been confined, recovered some elasticity, and subsequently rose appreciably by stages as the heavy demand for bank credit from commerce and industry persisted.

"This change of course in the direction of sounder money and credit policies is encouraging, not only in itself, but also because of the way in which it was brought about. The Treasury and Federal Reserve as equals, each viewing the problem from a different point of view, came to a common decision in the public interest. Thus the accord can also be taken as further evidence of the need to preserve the independent status of the Federal Reserve concerning matters of money and credit, within the limits of national policy laid down by the Congress, rather than to subordinate it to the domination of the executive branch of the government."

Putnam Fund Branch Under George Kranz

Putnam Fund Distributors, Inc., general distributors for the George Putnam Fund of Boston, Mass., a "balanced" mutual fund with net assets of over $51,000,000 has announced the opening of a New York office at 1 Wall Street. The office will be under the management of George Kranz, who was elected a Vice-President of Putnam Fund Distributors, Inc., and who will be in charge of sales activities in New York and several Middle Atlantic states.

George Kranz

Mr. Kranz has spent many years in the investment business and was in charge of the mutual fund department of Cohu & Co. prior to his new association. He was previously with Halsey, Stuart & Co., Amott, Baker & Co. and Bankamerica Co. in New York, and Kaiser & Co., in the latter's New York and San Francisco offices.

Bunn, Keaney Officers Of Stifel, Nicolaus

ST. LOUIS, Mo.—Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange, announces the appointment of John W. Bunn as Assistant Vice-President, and Frank X. Keaney as Assistant Secretary.

Both Mr. Bunn and Mr. Keaney have been associated with Stifel, Nicolaus & Company, Incorporated, for a number of years, Mr. Bunn as Manager of the Trading Department, and Mr. Keaney as Analyst.

Mr. Bunn is Past President of the Security Traders Club of St. Louis and presently Secretary of the National Security Traders Association.

Mr. Keaney is Past President of the St. Louis Society of Security Analysts and presently a Director of the National Association of Financial Analysts.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Arthur S. Kleeman, President of **Colonial Trust Company of New York** has announced the promotion of Gilbert F. Barnard to Assistant Vice-President. Mr. Barnard was previously Assistant Secretary and Assistant Treasurer. George Ryan and Roger Brady were named Assistant Secretaries and Assistant Treasurers. Mr. Brady had been Assistant Controller. John Rand was elected Credit Manager, International Division and Henry Schmidt, Credit Manager, Domestic Division. Alfred Karnbach was named to the newly created post of Assistant Public Relations Officer.

John T. Madden, President of the **Emigrant Industrial Savings Bank of New York** announced on Jan. 3 that the Board of Trustees has appointed Joseph J. Sfayer an Assistant Comptroller of the bank. Mr. Sfayer has been an employee of the bank for over 21 years and during World War II served in the United States Navy.

* * *

Irving Trust Company of New York has announced the promotion of William W. Pevear from Assistant Vice-President to Vice-President. Mr. Pevear started with the Irving as an Assistant Vice-President in 1949. He is in charge of the Bank Investment Department of the Company's Investment Division. Announcement is also made by the Irving Trust of the appointment of Edmund P. Krug as an Assistant Secretary of the Company. He assists in the supervision of various operating activities in Irving's International Banking Division.

* * *

The 200% stock dividend voted by stockholders of the **First National Bank of the City of New York** at the annual meeting on Jan. 8 has been approved by the Comptroller of the Currency effective as of the close of business Jan. 11. The dividend will be paid to stockholders of record that date. Stock record books were closed as of the close of business Jan. 2 and will be reopened as of the opening of business on Jan. 15. The First National Bank has also announced that Charles C. Hubbell, Jr., formerly Cashier, has been elected Comptroller to succeed Albert H. Oswald who will retire this year. William T. Loveland, formerly Assistant Cashier, has been elected Cashier. Robert B. Silleck, formerly Auditor, and Charles A. Cleveland have been elected Assistant Cashiers. Walter H. Walsh has been elected Assistant Comptroller and Julien L. McCall, Assistant Manager of the Bond Department.

* * *

IRVING TRUST COMPANY, NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	1,387,952,025	1,315,130,666
Deposits	1,241,432,770	1,172,213,670
Cash and due from banks	393,263,491	365,300,641
U. S. Govt. security holdgs.	328,312,046	293,387,537
Loans & discts.	586,865,241	579,992,929
Undiv'd profits	14,579,208	14,663,753

* * *

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	5,607,112,345	5,174,410,240
Deposits	5,149,631,444	4,747,243,339
Cash and due from banks	1,527,019,624	1,373,828,484
U. S. Govt. security holdgs.	1,183,476,912	1,199,367,857
Loans & discts.	2,161,951,615	1,953,537,210
Undiv'd profits	61,182,984	59,198,226

THE NATIONAL CITY BANK OF NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	5,909,863,665	5,556,379,157
Deposits	5,442,946,549	5,070,357,103
Cash and due from banks	1,461,560,755	1,464,757,206
U. S. Govt. security holdgs.	1,585,733,528	1,457,986,037
Loans and bills discounted	2,083,757,343	1,883,517,600
Undiv'd profits	64,945,973	62,254,837

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	141,509,745	139,587,026
Deposits	106,093,558	104,669,951
Cash and due from banks	39,812,620	31,778,800
U. S. Govt. security holdings	73,180,306	80,624,263
Loans and bills discounted	1,019,366	1,187,318
Undivided profits	11,009,629	10,310,618

* * *

GUARANTY TRUST COMPANY OF NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	3,136,474,524	2,936,145,149
Deposits	2,699,811,617	2,514,105,471
Cash and due from banks	862,777,767	623,747,813
U. S. Govt. security holdgs.	696,004,299	896,750,292
Loans & discts.	1,384,002,465	1,244,126,715
Undiv'd profits	77,965,141	78,771,548

* * *

BANKERS TRUST COMPANY, NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	2,171,622,285	1,874,393,430
Deposits	1,944,292,047	1,675,207,918
Cash and due from banks	683,260,853	462,873,941
U. S. Govt. security holdgs.	411,760,776	401,205,207
Loans & discts.	926,473,067	882,466,217
Undiv'd profits	38,865,775	38,629,544

* * *

CHEMICAL BANK & TRUST CO., NEW YORK

	Dec. 31, '51	June 30, '51
	$	$
Total resources	1,941,862,089	1,754,035,535
Deposits	1,775,158,558	1,588,749,731
Cash and due from banks	559,059,728	481,327,787
U. S. Govt. security holdgs.	506,613,463	435,375,604
Loans & discts.	715,348,531	685,096,342
Undiv'd profits	19,765,514	18,223,815

* * *

THE HANOVER BANK, NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	1,830,743,585	1,669,330,745
Deposits	1,663,226,374	1,506,780,121
Cash and due from banks	538,628,799	480,742,022
U. S. Govt. security holdgs.	603,459,168	501,393,608
Loans and bills discounted	591,283,410	586,633,863
Surplus & undivided profits	114,530,785	113,602,451

* * *

BANK OF MANHATTAN COMPANY, NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	1,351,357,315	1,242,446,459
Deposits	1,253,199,083	1,133,554,697
Cash and due from banks	436,223,214	322,948,459
U. S. Govt. security holdgs.	292,620,853	293,850,155
Loans & discts.	566,225,259	529,736,574
Undiv'd profits	17,257,021	16,958,737

* * *

THE MARINE MIDLAND TRUST COMPANY, NEW YORK

	Dec. 31, '51	Sept. 30, 51
	$	$
Total resources	545,620,115	407,005,144
Deposits	511,083,849	377,218,901
Cash and due from banks	222,431,912	116,514,959
U. S. Govt. security holdings	143,468,039	120,880,664
Loans & bills discounted	169,940,723	159,472,413
Undivided profits	4,261,046	4,248,663

* * *

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	539,250,054	520,804,955
Deposits	489,003,577	467,688,996
Cash and due from banks	140,289,419	133,232,348
U. S. Govt. security holdings	129,533,671	84,633,319
Loans & bills discounted	224,516,444	257,054,701
Undivided profits	10,029,590	9,751,102

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	242,073,035	236,715,615
Deposits	207,564,525	207,575,298
Cash and due from banks	62,799,704	58,636,879
U. S. Govt. security holdings	53,938,179	59,402,723
Loans & discounts	52,075,256	46,345,494
Capital and surplus	14,165,284	14,145,284

* * *

UNITED STATES TRUST COMPANY OF NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	185,817,940	157,910,458
Deposits	151,210,466	123,847,871
Cash and due from banks	34,676,625	24,614,382
U. S. Govt. security holdings	82,697,097	62,621,097
Loans & discounts	49,443,144	51,849,463
Undivided profits	2,673,980	2,530,159

* * *

STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	141,275,573	130,896,621
Deposits	132,496,870	122,111,975
Cash and due from banks	38,152,077	34,742,459
U. S. Govt. security holdings	56,498,702	37,771,214
Loans & discounts	44,398,733	53,282,180
Undivided profits	1,170,649	1,138,057

* * *

J. HENRY SCHRODER BANKING CORPORATION, NEW YORK

	Dec. 31, '51	Sept. 30, '51
Total resources	$93,966,885	$93,865,191
Deposits	65,656,839	65,254,023
Cash and due from banks	12,913,259	10,479,326
U. S. Govt. security holdings	38,436,955	42,453,963
Loans & bills discounted	17,092,715	16,941,171
Surplus and undivided profits	4,021,786	4,016,153

* * *

SCHRODER TRUST COMPANY, NEW YORK

	Dec. 31, '51	Sept. 30, '51
Total resources	$45,328,053	$41,729,628
Deposits	39,580,323	35,811,338
Cash and due from banks	14,170,925	11,801,100
U. S. Govt. security holdings	21,749,715	20,617,464
Loans & bills discounted	8,261,512	8,172,281
Surplus and undivided profits	3,020,727	3,016,637

* * *

CLINTON TRUST COMPANY, NEW YORK

	Dec. 31, '51	Sept. 28, '51
Total resources	$29,745,991	$30,376,265
Deposits	27,467,229	28,094,479
Cash and due from banks	7,473,406	7,817,822
U. S. Govt. security holdings	11,557,082	11,964,481
Loans & bills discounted	8,292,637	8,176,444
Surplus and undivided profits	981,306	969,408

* * *

During the year the **Ninth Bank & Trust Company of Philadelphia** was merged into The Philadelphia National Bank and the enlarged Philadelphia National's capital stock is now $14,660,000 with a surplus of $40,340,000 as compared with $14,000,000 and $36,000,000 respectively. The consolidation was reported in these columns Oct. 11, page 1356.

At a meeting of the Board of Directors of the **Tradesmens National Bank and Trust Company of Philadelphia** on Jan. 4 William S. Louchheim, Executive Vice-President of Bobrick Manufacturing Corporation of Los Angeles, Calif. tendered his resignation as a director. The vacancy on the board was filled by the election of Henry S. Louchheim, Mr. Louchheim is a member of the class of 1924, Wharton School, University of Pennsylvania, and became affiliated with Al Paul Lefton Co. Inc. advertising agency, with offices in Philadelphia, New York, and Chicago, in 1930. At the present time, he is Vice-President and Treasurer. During World War II, Mr. Louchhiem served as a major in the United States Army, Special Services Division.

* * *

FIDELITY-PHILADELPHIA TRUST CO., PHILADELPHIA, PA.

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	237,333,922	221,885,873
Deposits	207,532,854	192,068,175
Cash and due from banks	58,992,983	47,463,766
U. S. Govt. security holdings	48,699,486	48,283,017
Loans	96,382,535	92,139,129
Undivided profits	6,160,104	6,298,751

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 31, '51	June 29, '51
	$	$
Total resources	888,548,412	823,192,973
Deposits	813,218,369	752,010,401
Cash and due from banks	279,795,477	260,626,004
U. S. Govt. security holdings	211,803,417	200,596,144
Loans & discounts	297,363,020	268,851,051
Undivided profit	12,044,850	13,431,863

* * *

THE FIFTH THIRD UNION TRUST CO., CINCINNATI, OHIO

	Dec. 31, '51	Sept. 28, '51
	$	$
Total resources	288,857,399	280,187,368
Deposits	265,832,681	257,703,622
Cash and due from banks	86,356,353	84,522,771
U. S. Govt. security holdings	94,232,900	89,573,430
Loans & discounts	88,237,460	85,077,259
Undivided profits	2,857,584	3,559,498

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Dec. 31, '51	Sept. 30, '51
	$	$
Total resources	248,291,164	241,328,718
Deposits	227,730,525	223,025,478
Cash and due from banks	22,715,400	18,337,994
U. S. Govt. security holdings	85,562,160	89,934,000
Loans & discounts	124,434,742	119,503,688
Surplus	15,000,000	12,000,000

* * *

CENTRAL NATIONAL BANK OF CLEVELAND, CLEVELAND, OHIO

	Dec. 31, '51	June 30, '51
	$	$
Total resources	469,466,446	432,614,914
Deposits	448,314,994	409,383,785
Cash and due from banks	114,913,906	108,274,734
U. S. Govt. security holdings	200,653,593	169,473,056
Loans & discounts	148,200,696	145,623,777
Undivided profits	1,108,610	553,296

* * *

The Board of Directors of **The Detroit Bank of Detriot, Mich.,** have recommended that a proposal be submitted to the shareholders at the Annual Meeting Jan. 15, to increase the common capital stock of the bank by 25,000 shares—the same to be distributed to the shareholders as a common stock dividend on the basis of one share for each twelve shares held. This will increase the common capital shares to 325,000 and establish the common capital stock as $6,500,000 of the par value of $20 a share.

* * *

Lawrence F. Stern, President of **American National Bank and Trust Company of Chicago,** announced that at the annual meeting of the directors this week that the board created three new positions, namely, Chairman of the Investment Committee, Chairman of the Trust Committee and Chairman of the Loan Committee. O. Paul Decker was elected Chairman of the Investment Committee, Morris Feiwell, Chairman of the Trust Committee, and Herbert T. Spiesberger, Chairman of the Loan Committee. All three have been associated with the bank for over 20 years. The directors promoted two officers in the Personal Trust Division. Edward A. Berndt, Jr. and Howard J. Johnson, Assistant Vice-Presidents, were named Vice-Presidents. In the Corporate Trust Division, Arthur H. Morstadt, Assistant Trust Officer and Assistant Secretary was elected Assistant Vice-President. In the Banking Department, Harry P. Lawrence Assistant Cashier, was named Assistant Vice-President, and four staff members were elected Assistant Cashiers. They are John A. Greenwood, James S. Pottinger, H. Story Turner and Chester G. Zimmerman.

Continued on page 34

Cereal Co.'s Common Stock Publicly Offered

The first general public offering of shares of Kellogg Company of Battle Creek, Mich., the world's leading manufacturer of ready-to-eat cereals, was made on Jan. 9 by Morgan Stanley & Co., Clark, Dodge & Co. and Glore, Forgan & Co. and 76 associated investment firms. The offering comprises 415,060 shares of the company's common stock of which 384,860 shares are being sold by the W. K. Kellogg Foundation and the remaining 30,200 shares out of the company's treasury. The Foundation, which is selling all of its directly owned shares of the company, is the beneficiary of the W. K. Kellogg Foundation Trust which owns 2,210,000 shares, or 50.2% of the total common stock. The stock is priced at $23.75 per share.

The successor to the Battle Creek Toasted Corn Flake Co. which was founded by W. K. Kellogg in 1906, Kellogg Company estimates that it is the largest producer of ready-to-eat cereals in the United States and, with its subsidiaries ranks first throughout the world. During its 46-year history the company's annual sales have grown from $300,000 to about $135,000,000 and it has operated at a profit in each year since 1906 except for the year 1920. Net earnings after taxes for the first three quarters of 1951 were $6,922,509, equivalent to $1.49 per share on the 4,402,000 shares of common stock (50 cents par value) presently outstanding, in comparison with $2.04 for the full year 1950 on the same basis.

Principal cereal products of the company marketed under the widely advertised Kellogg name include Corn Flakes, Rice Krispies, All-Bran, Pep Whole Wheat Flakes, Shredded Wheat, Sugar Corn Pops, Raisin Bran, 40% Bran Flakes, Corn Soya and Krumbles. Other products include animal and poultry feeds.

The company operates three plants in the United States and wholly owned manufacturing subsidiaries operate plants in Great Britain, Canada, Australia, South Africa and Mexico. Another domestic plant was recently acquired in California.

The company has paid cash dividends in varying amounts on its common stock in each year from 1907 to 1951 with the exception of 1920 and 1921. Adjusted for the 2-for-1 stock split (effective November, 1951), four quarterly dividends of 25 cents each and an extra dividend of 25 cents were paid on the common stock in 1951. The company's present dividend policy is that such quarterly dividends as are declared on its common stock will be paid, beginning in 1952, during the first 10 days of March, June, September and December, respectively, and any extra year-end dividends as may be deemed advisable will be paid in December.

NY Curb Slate Is Presented

John J. Mann, Chairman of the Board of Governors of the New York Curb Exchange, has been renominated to the Chairmanship of the market's board for the ensuing year, Edward T. McCormick, President of the Exchange, has announced. Mr. Mann is completing his first term as Chairman. He served as Vice-Chairman during 1950.

John J. Mann

A member of the Curb Exchange since 1933, Mr. Mann began his Wall Street career in 1925 as a page on the New York Curb Exchange trading floor. After completing his education he was employed as a clerk in the office of Emil Mosbacher, then a Curb specialist. In September, 1928, he was appointed one of the first specialist's clerks on the Curb trading floor. He has been a member of the governing board since 1948.

The slate, presented to Exchange members for offices to be filled at the annual election on Feb. 11, names for a one-year term as a Class A member of the governing board, Edward Posner, Andrews, Poser & Rothschild. Mr. Posner served three terms as Vice-Chairman of the Board and in 1945 and 1946 was elected Chairman of the Board and appointed President of the Exchange.

Charles J. Bocklet, O. F. Browning, Jr., George C. Donelon, A. Philip Megna, Francis I. du Pont & Co., and Sterling Nordhouse were nominated for three-year terms as Class A Governors. Browning and Nordhouse are current board members. Bocklet, Donelon and Megna have not served in the past.

Joseph Gimma, Hornblower & Weeks; Charles King, Charles King & Co.; Walter T. O'Hara, Thomson & McKinnon; and Albert G. Redpath, Auchincloss, Parker & Redpath, have been nominated for election to three-year terms as Class B Governors of the Exchange. Gimma and O'Hara are current board members. Redpath has served in the past and King is a new member.

The nomination of Mr. King is another indication of the international flavor that surrounds the Curb, the nation's largest market for foreign securities. Charles King & Co., with offices in Montreal, Toronto and New York City, maintains memberships in the Montreal Stock Exchange, Montreal Curb Market and other Exchanges in the United States.

George Herrel and E. E. Spencer appear on the slate for election as trustees of the Curb Exchange gratuity fund to serve for three years. Austin K. Meftel was nominated as trustee of the gratuity fund to serve for two years.

Gary Onderdonk, L. A. Mathey & Co., is Chairman of the Nominating Committee which also includes Charles Leichner; Robert A. Kugler, Shearson, Hammill & Co.; Edward P. Wheeler; Frederick A. Mumford, Andrews, Posner & Rothschild; N. Matthew Nilssen, J. A. Hogle & Co., and Fred G. Gurke, Pershing & Co.

Joins Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William R. Dixon has become affiliated with Goldman, Sachs & Co., 208 South La Salle Street. He was previously with Thomson & McKinnon.

Building and Housing Outlook

By ROGER W. BABSON

Mr. Babson predicts no immediate letdown in current housing demand, and gives as reasons rapid increase in population, and relatively smaller rise in building costs as compared to commodity prices and wages. Lists shares of companies concerned with building industry, which he considers attractive.

Most people are bearish on the building outlook for 1952. Naturally, fewer houses will be built; but it would be a great mistake to think that the demand for new houses is over. The demand for houses, although less, will continue heavy in 1952. Those who need a new home to live in should build or buy whenever the right location is available at the right price.

Roger W. Babson

Letters come to me from cities in the Central West, stating that good citizens, employing many people, are forced to move away because of lack of housing. If these communities have truly patriotic citizens, they will get together and start a campaign to get new houses built.

Reasons for Continued Demand

It is true that the price of new houses has gone up considerably during the past few years; but have they gone up in price more than almost everything else? It is unreasonable for wageworkers, manufacturers and even shopkeepers to complain about the increase in building costs when they are getting similar increases for labor, agricultural products, manufactured goods and merchandise. Of course, building will fall off, but when that time comes, and prices are lower, most people won't have the money to take advantage of the bargains!

Also remember that our population is rapidly increasing. There are around 155,000,000 people in the U. S. today with a total annual income of $275 billion, compared with 125,000,000 population and $60 billion national income only 20 years ago. We also must realize that a well-built and well-located house is one of the best hedges against inflation, continuing to hold its own, or increase, as the dollar declines in value. For those who own a good home and do not care to build another for rental, here is a suggestion for use of your money.

Consider Building Stocks

Seventy-five per cent of the cost of materials in a home is spent on four things: (1) Cement; (2) lumber and shingles; (3) wall board and plaster, and (4) paint. By buying stocks in one of the leading companies manufacturing these four basic products, it is possible to profit with the building industry. When the next depression comes, the price of these stocks will go down with everything else; but they should come back again in price quickly. The following suggests four such companies:

Cement: A cement company which I like is the Lehigh Portland. It has raw material to last for many years. It is located in growing sections of the country. The common stock sells at about $24 and yields about 5%. The first thing that one must buy when building a house is cement, but cement has many other uses. When a depression comes and the building of homes declines, the Federal Government and the States will start road-building projects, and all these will require cement. Therefore, the cement industry to that extent may be called a depression-proof industry, if there is any such thing in existence.

Lumber and Shingles: Theoretically, a house can be built of steel and glass, but such a house would cost much more than an ordinary house. Hence, there will continue to be a demand for lumber. That is why this column recently recommended the purchase of standing woodland as one of the best long-term investments. All the lumber stocks have gone up so much in price that I hesitate to recommend any of them at this time. However, one of the favorite lumber companies which handle that product from stump to the carpenter is the Weyerhaeuser Timber Company. The common stock sells at $70 and yields about 4%.

Wall Board and Plaster: The U. S. Gypsum Company is the outstanding manufacturer of wall board, plaster and the allied products. It owns great natural resources; it has manufacturing plants in all parts of the country, and its products are unexcelled. The common stock sells at $107 and yields nearly 7%, but for every ten shares of common stock, there are about $375 in Government bonds in the company's treasury. Its management is superb.

Paint: There are many good paint companies, but as an illustration, I mention Sherwin-Williams. The stock sells for $67 and yields 5%. Painting is one of the first things that people economize on when hard times come, but this may not apply to the large number of single story-houses built in recent years which need repainting soon and can be done by the owners.

As a final reason for being reasonably optimistic on building, let me mention the very liberal mortgage terms of today. When I built a house 30 years ago, I was obliged to pay 6% interest and got a mortgage for only three years. Today you can borrow money at 4½% and have 20 years to pay it back.

Joins Clair Hall Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Richard E. Keys has joined the staff of Clair S. Hall & Company, Union Trust Building.

E. F. Gidley Co. Formed in NYC

A partnership under the firm name of E. F. Gidley Company has been formed by Everett F.


Everett F. Gidley Everett F. Gidley, Jr.

Gidley and Everett F. Gidley, Jr. The firm will conduct a brokerage business in FHA mortgage placements, with offices at 270 Park Avenue, New York City.

Mr. Gidley, senior, was formerly Vice-President of Blair, Rollins & Co. Incorporated, and for many years associated with the firm of E. H. Rollins & Sons, Incorporated.

American Metallic Chemicals Stock Sold

M. S. Gerber, Inc. New York, late last month offered publicy 100,000 shares of American Metallic Chemicals Corp. common stock at $3 per share. The offering was oversubscribed and the books closed.

The net proceeds are to be applied to putting the plant at Portland, Ore., into commercial production.

American Metallic Chemicals Corp., Incorporated in Delaware on July 24, 1951, will initially produce electrolytic manganese dioxide principally for use in primary cells (dry batteries) and for a miscellany of other important chemical uses.

The property has been leased for a five year period, with a five year renewal at the option of the corporation. The lease includes an option to purchase at any time during the lease period at a price of $76,045.

With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Joseph E. Rosatti has joined the staff of John G. Kinnard & Company, 71 Baker Arcade.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market came into the New Year with eyes mainly for the near-term riskless issues and this had a favorable influence upon these obligations. The higher-income Treasuries were still without important buyers, save for the monetary authorities and this had been done mainly for stabilization purposes. Savings banks, according to reports, were on the sell side of these securities, as had been expected. Volume, it is reported, however, has not been sizable.

It is believed that buyers of Treasury obligations are going to stay on the cautious side as long as the loan trend is strong. This probably means the short-term riskless obligations are going to get the bulk of the play until there is evidence that the loan curve has changed. Likewise, this does not make the outlook for the higher-income issues anything to get much excited about yet, because it is believed there will still be selling by savings banks in order to get more funds that will be put into non-government obligations.

Short-Terms Take Spotlight

The government market appears to be unfolding into a sort of short-long pattern, which may or may not have any particularly lasting significance. Once again it is evident that the market for Treasury obligations is still divided into two parts, with the short-term sector getting most of the attention and the bulk of the activity and volume. The longer end of the list is not lacking its share of attention, but this is not due to the volume and activity, but because of its uncertain position and the absence of private buyers. To be sure, Federal has been giving some minor spotty support to the higher-income obligations, but this has been done to keep the market orderly. This, and the not large selling by savings banks, has improved the tone of the longs.

The near-term issues appear to have overcome the year-end entanglements and adjustments which carried yields on these securities to a level that was bound to bring buyers into these obligations, unless the money market were headed for substantially higher rates of return. To be sure, Federal also had to step into this sector of the market, at the close of 1951, and relieve some of the positions that were doing the market no good at all. However, with the turn of the New Year, funds were again available for the purchase of the short-term obligations, and this has been reflected in lower yields for these securities. The demand for near-term issues has been very strong and there are indications it will continue that way for a while at least.

Status of Long-Terms Uncertain

As for the longer-term obligations, weakness developed with the turn of the year on light volume and reduced activity, to be followed later by rallying tendencies. Federal, it seems, was not too much concerned about the trend, but according to reports some of the stability support appeared as the non-deposit-bank holders, principally savings banks, came into the market as sellers of the higher-income obligations. Whether there will be sizable liquidation by the savings banks is still an open question at this time. To be sure, the extent of the growth in savings deposits will have an important bearing upon what selling is done by these institutions in the longer-term Treasury obligations. Tax-exempt securities are going to be an important item with the savings banks, and there will no doubt be sizable purchases of these securities. The vital question here is how will the tax-sheltered issues be paid for. The answer to this one will come with the passing of time.

Despite the usual amount of funds seeking investment at this time of the year, there has been no important buying yet to speak of in the higher-income governments by pension funds and private trust accounts. To be sure, there has been some modest scale purchases, but this has been the case for some time now. The feeling still persists that there is no need to be in a hurry as far as the longer-term obligations are concerned.

Bank Rate Going Higher?

Although loans showed a sharp decrease last week—(the first in six weeks)—the feeling is still strong in many quarters that there will be a resumption of the uptrend, and with this idea the question arises as to whether or not there will be another increase in the prime bank rate. The belief is held in more than one place in the financial district that a rate of 3¼% will be reached in Spring, and one of 3½% by the Summer. Whether there will be another upping of the prime bank rate is going to depend beyond any question of doubt upon the total volume of loans and the reasons for the loan increase. It is still a bit early to indicate whether the loan curve will continue as strong as some believe, because this is the time of the year when it usually tapers off. An increase in the discount rate would probably bring about an increase in the prime bank rate, since this would be a good excuse for raising it. If there should be an increase in the discount rate, it is believed by some money market followers that there will be a re-instituting of the preferential rate, as was the case in the past.

G. W. Cunningham Co. Formed in New Jersey

WESTFIELD, N. J.—George W. Cunningham & Co. has been formed with offices at 225 East Broad Street, to act as brokers and dealers in investment securities, continuing the business presently conducted by Mr. Cunningham. Partners are George W. Cunningham and Conover E. Willis.

Lee Higginson Corp. Adds Daniel Curll

Lee Higginson Corporation, 40 Wall Street, New York City, announces that Daniel B. Curll, Jr., has become associated with the firm in its New Business Department. Formerly with Commercial Solvents Corp., Mr. Curll will act as an advisor on projects in the chemical engineering and related fields.

Reports Increase in New Capital Outlays

Joint release of SEC and U. S. Commerce Department, in new series of quarterly estimates, now classify plant and equipment expenditures of manufacturing concerns according to major industries.

Business outlays for new plant and equipment planned for the first quarter of 1952 are expected to exceed any previous first quarter and, if realized, the seasonally adjusted rate will be at a new high, according to the latest survey of capital outlays made public jointly by the Securities and Exchange Commission and the Department of Commerce. Outlays planned for the first quarter of 1952 are estimated at $5.7 billion, 18% more than in the first quarter of 1951—with all major industries, other than the commercial and miscellaneous group, contributing to the increase.

Newly developed data on detailed manufacturing industries indicate that by late 1951 only defense and defense supporting industries were continuing to increase their investment rates. The anticipated rise in this area—stimulated by more than $8 billion of proposed facilities certified under the rapid tax amortization program—will more than offset declining capital outlays by non-defense industries. Expenditures by most of the latter group —including such industries as food, beverages, textiles, lumber and printing and publishing—were off from the peaks reached in mid-year.

All of the metals producing and fabricating industries as well as chemicals, petroleum, paper and rubber planned record expenditures in the fourth quarter and taking seasonal influences into consideration, expect to continue the high rates of expansion during the first quarter of 1952.

According to present estimates, total business outlays for fixed capital for the year 1951 will amount to $23.1 billion, or almost 30% more than in 1950. Expenditures for the last half of 1951 are estimated at $12.4 billion, or about one-fourth higher than in the last half of 1950. Though costs of capital expansion have risen, the anticipated rate of expenditures in the second half of this year indicates a sizable increase from the corresponding period of last year in the physical additions to productive facilities.

Of the $23.1 billion of total business outlays in 1951 manufacturers' expenditures account for $11.1 billion, about 50% more than in 1950. Within the manufacturing group, transportation equipment companies (except motor vehicles) and the metals producing industries have scheduled 1951 capital expansion of more than twice that in the preceding year.

The outlays by iron and steel companies for 1951 are estimated at $1.3 billion, 120% more than in 1950. The expenditures of over $2 billion in 1951 by petroleum companies are about 30% above 1950, while the chemical industry has set 1951 outlays at $1.3 billion, an increase of about 65%.

Manufacturing companies in aggregate account for most of the expected increase in total business expenditures in the fourth quarter of 1951 and (after seasonal adjustment) in the first quarter of next year. Since mid-year, however, only the larger manufacturing firms were continuing to show increasing rates of fixed investment. In part, this reflects the greater concentration of smaller companies in the nondefense section.

A new series of quarterly estimates of new capital outlays, now presents for the first time estimates of plant and equipment expenditures of manufacturers classified according to major industries. The series forms an integral part of the regular quarterly and annual surveys conducted jointly by the Securities and Exchange Commission and the Department of Commerce and constitutes a revision of the estimates for total manufacturing. Heretofore the series presented figures for total manufacturing only without details for the various industries. The new annual estimates are based on data covering all manufacturing corporations registered with the Commission as well as a sample of unregistered companies reporting to the Department of Commerce. The reporting companies account for two-thirds of the fixed investment by all manufacturers.

The newly developed data are discussed in detail in an article "Capital Expenditure by Manufacturing Industries in the Postwar Period" appearing in the December, 1951 issue of "Survey of Current Business," published by the Department of Commerce. The article presents an analysis of the industrial differences in investment trends during the postwar period pointing out that manufacturers' fixed investment of $50 billion since 1945 has about equalled the book value of their gross capital assets at the end of World War II. Even after allowance for the rise in capital goods prices and higher replacement costs, a large proportion of the current stock of manufacturers' fixed capital is less than six years old.

The largest postwar capital expansion relative to the book value of capital assets in 1945 was in the chemicals, electrical machinery and motor vehicles industries. The smallest relative increase occurred in basic and fabricated metals; the rubber and food industries also had below average rates of expansion.

G. H. Walker Adds Wilfred G. Conary

PROVIDENCE, R. I.—G. H. Walker & Co., members of the New York Stock Exchange, has announced the addition to its organization of Wilfred G. Conary, formerly utilities stock trader with the Boston office of J. Arthur Warner & Co. Inc. Mr. Conary becomes the Manager of the trading department of the firm's office at 15 Westminister St.

Wilfred G. Conary

It is the firm's intention to broaden its trading activity in Providence under Mr. Conary's leadership. Not only will markets of local securities be developed but also those markets with which Mr. Conary has been familiar.

Albert Frank Forms Special Service Dept.

Formation of a special service department of Albert Frank-Guenther Law, Inc., has been announced by Howard W. Calkins, Chairman of the agency The new department will expand the services which AFGL now offers its clients, Mr. Calkins said.

Philip Leserman, III, formerly head of his own counselling organization, will be Director of the department.

The London Market In Forward Exchanges

By PAUL EINZIG

Commenting on complete abandonment by the British Government of control of the forward exchange market, Dr. Einzig finds there may be a considerable widening of the premium in London on forward exchange rates, because of the almost total absence of arbitrage transactions. However, points out, should rumors of devaluation lead to severe depreciation of forward sterling exchange, government may intervene to halt it.

LONDON, England—The reopening of the London market in forward exchanges before Christmas was an event the significance of which should not be underrated. It constitutes the first major departure from the system of financial controls established at the beginning of the war and retained almost unchanged throughout the postwar period. It is true, the new government departed to some extent also from the policy of rigidly pegged Treasury bill rates. The Treasury bill rates remained, however, under official control through the intervention or non-intervention of the brokers acting on behalf of the Bank of England. Likewise, spot exchanges, though technically free to fluctuate, are kept within officially fixed limits by the maintenance of maximum and minimum rates at which the Bank of England would be a buyer or seller of foreign exchanges.


Dr. Paul Einzig

In the case of forward rates, no official limits have been fixed either in theory or in practice. These rates are free to fluctuate in accordance with the relation between supply and demand, as in prewar days. Although it is conceivable that the authorities might in given circumstances intervene, no arrangement has been made for their automatic intervention at any given rates, as is the case in regard to spot rates. Nor is there any likelihood of systematic intervention as in the case of bill rates. For all practical purposes forward sterling has become a freely fluctuating exchange.

The significance of this fact lies in its bearing on foreign trade transactions. To a large degree the advantages and disadvantages of rigidly stabilized exchanges have been removed. Once more, as in the '30s, sterling has become a fluctuating currency from the point of view of importers and exporters. Those who hold the view that the present adverse balance of payments should be remedied through a depreciation of sterling have scored a victory over their opponents, even though no change has been made in the parities of sterling. Admittedly, the extent to which the depreciation of forward sterling is liable to help in stimulating exports and discouraging imports has so far been moderate. For, abnormal as the premium on forward dollars and other forward exchanges is, its actual cost on a transaction that is due to liquidate itself in three months or even six months is not sufficient to make any substantial difference to the extent of British buying and selling abroad. In particular, British imports are liable to remain unaffected because many importers may prefer to trust the stability of sterling rather than pay the premium on the forward exchanges.

The system such as it operates now carries, however, the possibility of a considerable widening of the premium on forward exchanges in the London market. For it differs from the prewar system in that interest arbitrage, which tended to keep forward premiums and discounts narrow before the war, remains subject to restrictions. Even before the war the equalizing effects of interest arbitrage were far from perfect. The amounts of money which banks were in a position to employ in interest arbitrage were not unlimited. Even abnormally wide discrepancies were not able to induce banks to employ more than a small percentage of their liquid resources in short-term investments in foreign markets, for the sake of the benefit derived from the wide discount on the forward rates of the national currency. If and when persistent pressure on the forward rates, due to a wave of speculation, tended to widen the discount, a stage was reached sooner or later when buying by arbitrageurs was unable to offset selling by speculators, for the simple reason that the banks have reached the limit of the funds that were at their dealers' disposal for arbitrage.

In present-day conditions the banks are not at liberty to employ in interest-arbitrage as much funds as they would like. The British authorities imposed a limit to the amounts that they are allowed so to employ. The extent to which arbitrage is in a position to counteract the effect of speculation on forward rates is bound to be, therefore, much more restricted than before the war. Moreover, before the war arbitrage by British banks with the aid of their liquid resources was supplemented by operations by foreign banks with the aid of borrowed sterling. Amidst prevailing exchange restrictions no overdraft facilities can be made available to foreign banks for such a purpose. It is true, acceptance credit facilities can to some extent be used for arbitrage purposes. The total extent to which borrowed money can be employed in interest arbitrage is, however, considerably less than before the war.

Admittedly, some of the sterling balances of foreign banks could be employed in interest arbitrage. As a result of the persistent canvassing of the possibility of a devaluation of sterling, however, such balances have been kept down at a minimum, so that the reinforcements that forward sterling may be expected to derive from the sale of such balances and their repurchase for forward delivery are limited.

Allowing for these considerations, it must be admitted that forward sterling is exposed to a considerable degree of depreciation through speculative pressure. Nothing short of official intervention in support of forward sterling could prevent a widening of the forward discount if and when devaluation scares should become really acute. The present intention of the authorities is to keep out of forward exchange dealing. It is not inconceivable, however, that they might change their tactics in this respect. For a widening of the forward discount cuts both ways. It is true, it stimulates exports. On the other hand, it changes the terms of trade against Britain, in precisely the same way as a corresponding depreciation of spot sterling would. A stage might be reached at which the authorities would arrive at the conclusion that, owing to the heavy discount on forward sterling, British exporters are selling their goods at a too cheap price in terms of foreign currencies. At the same time the high premium on forward exchanges bought by British importers adds to the sterling costs of these imports and contributes therefore to the increase of the cost of living. The arguments against allowing the disparities to widen too much are, therefore, identical with the arguments against a devaluation of sterling.

Eppler, Guerin & Turner Formed

DALLAS, Tex.—Eppler, Guerin & Turner has been formed with offices in the Reserve Loan Life Building, to act as underwriters and distributors of corporate and municipal securities. Officers of the new firm are John W. Turner, President; Dean P. Guerin, and William B. Eppler. Jerome K. Crossman is Chairman of the Board.

Mr. Turner was formerly with Axe-Houghton Funds. Mr. Eppler and Mr. Guerin were with Dallas Rupe & Son.

Kling & Co. Formed NYSE Member Firm

Formation of the firm of Kling & Co., members of the New York Stock Exchange, with offices at 39 Broadway, New York City, has been announced to conduct a general brokerage business specializing in U. S. Government, state and municipal bonds. Partners of the firm are Seymour Kling, Edward A. Kerbs, Charles L. Woody, Jr., a member of the Stock Exchange, all of whom will be general partners, and Louis A. Reilly, limited partner. Mr. Kling was a partner in the predecessor firm of Kling & Co., originally established in 1939, which also dealt in U. S. Government securities and state and municipal bonds. Mr. Woody has been an active floor broker.

Formation of the new partnership was previously reported in the "Chronicle" of Dec. 20.

Ollman Mun. Mgr. For Lee Higginson

CHICAGO, Ill.—Lee Higginson Corporation, 231 South La Salle Street, announces the appointment of Carl H. Ollman as manager of its Municipal Department.

Mr. Ollman was formerly with McDougal & Company and Kebbon, McCormick & Co.

National City Executives Tell Shareholders Inflationary Surge Dominates Banking

In annual report, W. Randolph Burgess, Chairman of Board, Lindsay Bradford, Vice-Chairman, and Richard S. Perkins, President, warn, because of heavy military outlays, nation cannot continue present high rate of non-defense spending, unless Federal budget is balanced and a more vigorous monetary and fiscal policy is put in force.

In a Joint Report to Shareholders, prepared for delivery at the 140th Annual Meeting of Shareholders of the National City Bank of New York, held Jan. 8, W. Randolph Burgess, the Chairman of the Board, Lindsay Bradford, the Vice-Chairman, and

W. R. Burgess

Lindsay Bradford

Richard S. Perkins

Richard S. Perkins, the President, stressed the inflationary surge generated by the Korean war as having a dominant influence on banking in the past year, and they warned that to check the trend, non-defense spending should be substantially decreased and more effective monetary and fiscal policy pursued by the Federal Government. As stated in the report:

"The dominant influence on banking in the past year has been the inflationary surge generated by the Korean war and the defense program. Overall production in 1951 set new records and employment was full. Wages and the cost of living rose during the year, though the first burst of consumer and business buying spent its force, and prices of some primary products and consumer goods have receded.

"In this setting the year has been a busy one for this bank. The volume of our operations has been at new high levels. Under a strong demand for money our loans have increased to the largest dollar figures in our history, though not the largest in relation to our total resources. Our gross income shows a substantial increase, but higher taxes and higher operating costs have absorbed most of it.

"While the response of America's productive machinery to new demands is immensely impressive, we are increasingly concerned over the inflation since the start of the Korean war, coming as it does on top of the World War II and postwar inflation. Since June 1950 wholesale prices have risen 13%, and the cost of living 10%. The value of the dollar has thus declined. While prices in general have leveled off since the spring of this year there is no clear evidence that the inflation has been cured, for its causes are still with us. These causes are heavy spending by the United States Government, together with a monetary policy which for some years has encouraged the expansion of money and credit. These basic causes were accentuated by forward buying of business and individuals.

"To increase the country's military strength and aid our allies indeed requires a large outlay. But we cannot wisely at the same time continue the huge present rate of non-defense spending. There is also competent opinion that by reducing waste and by some re-timing, the disruptive impact of the military program on the economy could be eased without real loss of effectiveness.

"This country is so wealthy and so productive that the evil results of bad economic policies are often slow to be evident or become disastrous. Thus the danger from bad policies is all the more insidious. The longer these policies are continued, the worse will be the results and the more severe the readjustment when it comes.

"The primary need is to bring government spending within the government's income. We believe this can be done and still support a powerful arms program.

"The second need is an effective monetary policy. In the great depression interest rates fell to very low levels. These low rates were frozen in by the policy of war financing in World War II. While the Reserve System has gradually regained some of its freedom of action, its effectiveness and vigor are still impaired by too much consideration of the cost of Treasury financing. Recent experience in country after country abroad has shown again the value of a vigorous monetary policy, joined to fiscal policy, as a means of checking inflation.

"We recognize that the private sector of the economy also has its responsibilities. In this bank we have considered carefully the influence of our own operations on the economic trend. We have been in full sympathy with the Voluntary Credit Restraint Program, which is a joint effort of the Federal Reserve System and the private lending agencies. Our lending policy has been conservative, not only to keep our operations in conformity with the Credit Restraint Program but also because we know from experience that inflationary periods foster business and personal overspending, which mean eventual losses."

Wm. Fry, Jr., V.-P. Of Delaware Fund

The board of directors of Delaware Fund Distributors, Inc., have announced the election of William J. Fry, Jr. as a Vice-President of the company.

Mr. Fry, who has had extensive experience both in the investment and banking fields, joined Delaware Fund Distributors in September, 1950, as wholesaler for the Northeastern States. Prior to his present affiliation he was connected with the Chase National Bank of New York as a new business representative.

Bond Club of New York Announce Outing

The Bond Club of New York will hold their annual outing June 6 at the Sleepy Hollow Country Club.

Heads Ass'n of Curb Floor Clerks

Wallace Weil, Order Clerk for Andrews, Posner & Rothschild, was recently elected President of the New York Curb Exchange Floor Clerks Association. He succeeds August Fischer who served two terms.

Howard Schaal, Clark, Dodge & Co., and William Menagh, Laidlaw & Co., were elected Vice-President and Treasurer, respectively, of the Association, which is composed of telephone order clerk representatives of member firms on the New York Curb Exchange trading floor.

Louis Tree, Ingalls & Snyder, was elected Financial Secretary; James Cooper, Pershing & Co., Corresponding Secretary; Gerald Anglin, M. J. Heany & Co., Recording Secretary; George Layng, Shearson, Hammill & Co., Sargeant-at-Arms; Michael Petruzzi, Reynolds & Co., Assistant Sargeant-at-Arms.

Elected as two-year governors were: Jack Negri, William I. Rosenfeld, Jr. & Co.; William Mirabella, Francis I. duPont & Co., and Alexander Milligan, Brady, Baird & Garvin.

Elected as one-year governors were: Daniel Hannafin, Joseph McManus & Co.; Joseph Burke, Gilligan, Will & Co., and Marty Solomon, Bernhardt & Bocklett.

Mr. Weil, the newly elected President, announced that the fourth annual dinner of the Association would be held on Jan. 24 at the Grand Street Boys Club.

Robt. Anderson V.-P. Of Hill Richards

LOS ANGELES, Calif. — Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange, announce the appointment of Robert Anderson, Manager of investment research, to the position of Vice-President.

Mr. Anderson has headed the Hill Richards research department for six years. According to Murray Ward, company President, the promotion was awarded Anderson in recognition of his outstanding service to Hill Richards clients.

Anderson, maintaining his office in Los Angeles, will supervise investment research for the Hill Richards offices in San Francisco, Oakland, San Jose, San Diego, La Jolla, Long Beach, Whittier and Pasadena.

Parmele, Snow Now Cohu Co. Partners

Henry G. W. Parmele, Manager of the listed stock department, and Charles W. Snow, Manager of the research and investment advisory department of Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, have been admitted as general partners in the firm, it was announced by Henry W. Cohu, senior partner. Mr. Parmele joined the firm in 1933 and Mr. Snow in 1945.

Admission of the new partners was previously reported in the "Chronicle" of Dec. 27.

W. A. Gardner & Co.

WESTWOOD, N. J. — W. A. Gardner has formed W. A. Gardner & Co. with offices at 572 Mountain Avenue, to engage in the securities business. Mr. Gardner was formerly with MacBride, Miller & Co.

Homer Hess Opens

WOOSTER, Ohio — Homer I. Hess is engaging in a securities business from offices at 212 Kurtz Street.

The Strange Case of "Spuds"

"While the ceilings represent rollbacks in the prices of higher-priced potatoes (like those of Idaho) which have advanced rapidly in recent weeks, they permit producers to receive at least the parity price as determined by the Secretary of Agriculture."

* * *

Michael V. DiSalle

"White potatoes constitute approximately a third of the nation's total consumption of all fresh vegetables. This regulation is designed to accomplish three objectives: first, to protect the consumer against further rises in the price of this major food item; second, to establish reasonable and equitable limits to distributive margins, and, third, to reflect 100% of parity to producers.

"We believe that the brake this regulation will apply to the accelerated rises in potato prices will save the consumer millions of dollars."—OPS and Michael V. DiSalle.

When the strange case of "spuds" in the New Deal and the Fair Deal is finally and fully recorded, this latest action should constitute an ironical chapter—near the end of the book we should hope.

The Patman Inquiry vs. Federal Reserve

Editorial article in "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, sees forthcoming Congressional inquiry, conducted by Rep. Wright Patman, having for its purpose political domination of nation's central banking system.

A leading editorial article in the January, 1952, issue of "The Guaranty Survey," the monthly publication of the Guaranty Trust Company of New York, calls attention to a forthcoming Congressional inquiry, conducted by a subcommittee of the Joint Committee on the Economic Report, headed by Rep. Wright Patman. The editorial says, there is widespread suspicion that this subcommittee has for its purpose "a new attack on the independence and non-political character of the Federal Reserve System."

"One cause for misgivings over the subcommittee's work," observes the bank's publication, "is that it is so largely in a field which was ably covered by a similar subcommittee under the chairmanship of Senator Paul H. Douglas only two years ago. The most important conclusion reached by the Douglas subcommittee was that Congress should provide by joint resolution that 'the primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made consistent with the policies of the Federal Reserve.'

"Why should the same ground be gone over again now?" asked 'The Guaranty Survey' editorially. "The Joint Committee on the Economic Report would have served the country better by adopting the main recommendation of the Douglas subcommittee instead of appointing a new body to review and possibly undo much of the work already so well done."

Continuing its comment, the articles states:

"Mr. Patman maintains that 'only a very small proportion' of the field covered by the questionnaires duplicates that covered by the Douglas subcommittee. This contention is hardly borne out either by the title of the new subcommittee or by the actual content of the questionnaires. The latter do deal with some new points, but to a very large extent they cover the same matters that were dealt with by the Douglas group. The majority of the questions addressed to the Secretary of the Treasury deal with relations between the Treasury and the Federal Reserve System and the views of the Treasury on general credit policy. An even larger proportion of the questions sent to the Chairman of the Federal Reserve Board cover these and related subjects. The questions for bankers include these: 'Do you believe that it was wise to abandon the par support of long-term government bonds in March, 1951?' 'Do you believe that ownership [of the stock of the Federal Reserve banks] by the United States Government would be more desirable [than ownership by member banks]?'

"It is reassuring to note," the article adds, "that the personnel of the Patman subcommittee is almost identical with that of the Douglas group. Some of the differences, however, may be significant. One difference is that the Chairman is Mr. Patman, who dissented from the main recommendation of the Douglas subcommittee, just cited, on the ground that it did not 'make the Federal Reserve System sufficiently responsible to the executive department of the Federal Government.'

"This view is consistent with Mr. Patman's record as a member of Congress. He has repeatedly declared that the Federal Reserve banks should be owned by the government and has introduced bills providing for such ownership and for appointment of all directors of Federal Reserve banks by the President of the United States. He has also repeatedly expressed the opinion that the government should not pay interest on its debt. In 1942, for example, he suggested in Congress that 'we should consider causing the Secretary of the Treasury to issue non-interest-bearing United States Government bonds to the Federal Reserve banks and compel the Federal Reserve banks to give credit therefor when money is needed to finance our program.'"

The article concludes with a strong plea for an independent Federal Reserve System stating:

"To deprive the Federal Reserve of its status as an independent agency and make it an arm of the Administration would be a long step toward authoritarianism. The central banking system would lose its character as a stabilizing influence and tend to become a political football, a tool of the party in power. It would be forced to alter its course with shifts of the political wind. It would be used to help win elections rather than to serve the real needs of industry and commerce. It might well become a stimulant instead of a check to the too-evident tendency toward governmental extravagance and loose fiscal policy.

"The Joint Committee on the Economic Report would have served the country better by adopting the main recommendation of the Douglas subcommittee instead of appointing a new body to review and possibly undo much of the work already so well done. It can still be hoped, however, that the members of the Douglas subcommittee, now members of the Patman group, will refuse to be dislodged from the constructive position they took two years ago."

J. Barth & Co. to Admit Merl McHenry to Firm

SAN FRANCISCO, Calif. — J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges, on Feb. 1 will admit Merl McHenry to partnership in the firm.

Model, Roland to Admit

Model, Roland & Stone, 76 Beaver Street, New York City, members of the New York Stock Exchange, will admit Roy D. Robinson of London to partnership on Feb. 1.

Kentucky Company Is Formed in Louisville

LOUISVILLE, Ky. — The Kentucky Company, members of the Midwest Stock Exchange, has been formed to conduct a general securities business as brokers and dealers. Offices are located in the Louisville Trust Building, Louisville, and in the Exchange Building, Lexington.

Officers are William B. Holton, Chairman of the Board; Holman R. Wilson, President; Walter Trinkle, Executive Vice - President; John B. Farra, Vice-President; Thomas B. Kessinger, Assistant Vice-President, and Esther Kachler, Secretary-Treasurer.

Wilson-Trinkle Company of Louisville and Holton, Farra Company of Lexington, have withdrawn from the securities business.

Canadian Securities

By WILLIAM J. McKAY

Some indication of the vast strides in Canadian mineral production was revealed this week in a year-end review by V. C. Wansborough, Managing Director of the Canadian Metal Mining Association. According to this authority, Canada's mineral industry reached an estimated production valued at $1,228,000,000 in 1951, a new peak figure. Though part of the increase in value may be ascribed to higher prices, along with heavier metal demands of Canada's rising defense program, it is a continuation of a trend which is gradually making Canada an important source of essential raw materials, comprising foodstuffs, petroleum products and various basic mineral products.

All important factor in the continued healthy growth of Canada's mining industry has been the availability of men to work the mines according to Mr. Wansborough. High average wages have helped to draw pioneering men to Canada's north country. On Aug. 1, 1951, average weekly wages stood at $60.32, the highest for any Canadian industry.

The Canadian Metal Mining Association's immigration program has helped many mines during the last four years when the labor shortage was acute. Since 1947, more than 6,000 men and an equal number of dependents have been brought from Europe.

Although the value of base metal production in Canada showed a general upward trend, gold production revealed the first decline since 1945. The 1951 output is estimated at approximately $160 million.

The position of the gold mining industry as a whole, however, has not been changed appreciably because of its freedom to sell on world markets. At the moment the Canadian mint price is $35.90, while the free market price is approximately $39.50. However, a number of factors influence the extent to which Canadian gold producers benefit from the free market. The uncertainty of future world prices, together with processing, shipping, handling and insurance charges which go with free market sales are important considerations.

It would appear that low-cost mines which have been receiving less than $2 per ounce cost-aid could benefit from sales on the free market at present prices. But to the remaining gold producers, cost-aid is an important factor and in some cases vital to continuing production.

The production of iron ore in Canada jumped 1,000,000 tons to 4,736,190 from 3,605,261 in 1950; petroleum, 19,000 000 barrels to 48,096,800 from 29,043,788; natural gas, 6,000,000,000 cubic feet, to 73,838,217,000 from 67,822,230,000; zinc, 40,000,000 pounds, to 667,871,787 from 626,454,598; nickel, 27,000,000 pounds to 274,535,580 from 247,317,867; copper 12,000,000 pounds to 540,967,068 from 582,418,296; silver, 1,000,000 fine ounces, to 24,244,949 from 23,221,431.

Despite these high figures there is every indication that even though records have been made in 1951, Canada will have to boost mineral production even more in 1952 if all countries which need Canadian materials are to get their full requirements.

The greatest shortage is in copper. Canada has promised to increase production to divert a bit more in the United Kingdom's direction, but so far the outlook is for a critical shortage in copper throughout 1952.

Figures of the Canadian Bureau of Statistics show that the greatest concentration of mineral wealth is still in the central provinces of Ontario and Quebec, which, together, accounted for more than half the $1,228,000,000 1951 total.

Ontario produced 35.6% of the total, pushing the value of her minerals to $437,085,123, up from $366,801,525 in 1950. Quebec accounted for 20.3%, with her value estimated at $249,553,652, up from $165,021,513.

Altogether in the last 10 years, the Canadian Statistical Bureau's figures showed, the value of Canada's mineral wealth more than doubled from $560,000,000 in 1941 to $1,228,000,000 in the year just ended.

Some metal, such as gold, lead, tin and tungsten, failed to maintain the general volume drive, but a vast number of other metals and minerals recorded new achievement in physical production.

In the non-metallics field, the sharp climb in oil production boosted the value of petroleum to $121,407,550 from $84,619,937. This gave oil the No. 1 spot in non-metallics value, shoving out coal which dropped slightly in production to 18,750,000 tons from 19,139,112 and in value to $110,050,000 from $110,140,399.

The defense program has placed an added stress on Canada's productive facilities. Working through the International Materials Conference to provide the western world with minerals essential to defense, Canada is finding an urgent demand for all the metals and industrial minerals it can produce.

Because Canada's own economy now requires more, too, indications are toward steady markets in 1952. To meet this demand, the industry will undertake further expansion by increasing present facilities and ferreting out new sources of supply.

New York Security Dealers Association Elects Officers for 1952

Harry R. Amott P. Fred Fox George A. Searight Hanns E. Kuehner

Harry R. Amott, of Amott, Baker & Co., Inc., has been elected President of the New York Security Dealers Association, the Association announced. Paul A. Gammons, of Bradley, Gammons & Co., Inc., and P. Fred Fox, of P. F. Fox & Co., were elected Vice-Presidents of the Association, and George A. Searight, of Eisele & King, Libaire, Stout & Co., was elected Secretary. Hanns E. Kuehner, of Joyce, Kuehner & Co., was elected Treasurer.

The Board of Governors of the Association elected at the annual meeting will consist of: Harry R. Amott; Richard M. Barnes, A. M. Kidder & Co.; Philip L. Carret, Granbery, Marache & Co.; Charles H. Dowd, Hodson & Company, Inc.; Frank Dunne, Dunne & Co.; P. Fred Fox; Paul A. Gammons; Frederick D. Gearhart, Jr., Gearhart, Kinnard & Otis, Inc.; Herbert D. Knox, H. D. Knox & Co.; Hanns E. Kuehner; David Morris, David Morris & Co., and George A. Searight.

The Nominating Committee for 1952 is composed of: Harry MacCallum, Jr., MacCallum & Co., Mt. Vernon; Herbert Allen, Allen & Company; Fred J. Rabe, F. J. Rabe & Co., and Walter C. Kruge, Walter C. Kruge & Co. Inc.

Continued from page 6

Economic Outlook for 1952-1953

fractional recovery should occur in the fourth quarter 1952, the figure for this period being perhaps a billion below that in third quarter 1951. It is true that states and municipalities have many serious arrearages in roads, hospitals, schools and other public works to make up. Also there will be pressures for higher wages that if realized would add to the outlays. But control over construction will be much tighter. And on balance, it seems doubtful whether Federal non-security spending will depart greatly from the second quarter 1951 annual rate.

Capital Formation

The next set of components requiring attention is "private gross capital formation." As usual, it includes producers' outlays for equipment, expenditures for nonfarm residential construction and for all other forms of private construction, net investment in inventories and net foreign investment.

Developments here are still driven by two purposes. During 1952 we will continue to build specialized facilities intended directly or indirectly to implement provision of military end-items, and we will still be expanding several of our basic industries to provide insurance against all-out war. Until recently the rate of growth anticipated in this sector has been rather generally viewed as a strongly buoying and even inflationary factor, and more critically viewed as a push toward over capacity and eventual trouble. Those holding the latter view still hold it. As to immediate prospects, however, opinions have split along different lines, some seeing the peak already passed and others expecting at least one more upward thrust or at least a brief plateau. My own guess is that our twin drive for "adequate" military and industrial facilities still has enough momentum in it to keep outlays during early 1952 rather close to the record-breaking level of third and fourth quarter 1951. In fact, it is possible that the rate will be set a new record. This pace promises to slacken markedly as the year moves along. I wouldn't expect the fourth quarter 1952 annual rate to exceed $25 billion—more than 10% below the probable rate during the quarter now ending. In my judgment, the reason will lie not so much in stringency of essential inputs as in unwillingness and simple lack of need to expand.

With respect to residential housing, there are the usual differences of opinion. One view is that the rate will fall off very sharply in early 1952 and coast along the lower level until fourth quarter 1952, rising perhaps to $9 billion then. Another expects starts to approximate the 1951 rate—which even with lower value per unit would put the year's average (and *a fortiori* the 4th quarter 1952 rate) well above the last known rate of $9.7 billion in third quarter 1951. My surmise is that the outcome will lie "somewhere in the middle." Relaxation of credit restrictions, a burst of government-aided housing and the probable compassion of Congress in face of drastic cuts militate against sharp reductions. But partial market saturation may be a fact and materials controls should have some depressing effect. I have set the fourth quarter 1952 rate at $9.5 billion, but would not be surprised if the 1952 average rate ran about $9 billion.

"Other private construction" presents a more tangled situation. Here we see more clearly than usual the cleavage running jaggedly through the era in which one objective is given sharp ascendency over others. What one may designate as industrial building—outlays in the fields of mining, manufacturing, power and transportation—should continue to rise (seasonally adjusted annual rate) well into the first quarter of 1952 and fall off but moderately thereafter. Commercial, institutional, farm and miscellaneous construction, however, seem likely to contract rather sharply as control orders and withholding of necessary resources really take effect. The net effect will be that of a persistent, although moderate decline, with industrial building bucking the trend during the early months. For fourth quarter 1952, I would forecast a rate of about $9.5 billion.

Behavior of Inventories

The prospective behavior of inventories is something of an enigma, but, I think, within rather narrow limits. Barring materialization of one of the fantasies that I mentioned at the beginning to facilitate ignoring them thereafter, there will be no repetition of the $10.3 billion, $16 billion and $6 billion leaps during the first three quarters of 1951. The present importance of this prospect is that whatever inventories do, the effect will be deflationary relative to 1951. But how deflationary and especially whether the shift will be merely from a high to a low plus or carry into net reduction are other matters. The temptation is to avoid any pretense to precision by favoring no material change. It is true no doubt that as output of consumer durables falls off at the same time that spendable incomes rise and prices are controlled, stocks of consumer durables down the manufacturing and distribution chain should decline for a while—a process that should be intensified by the recent relaxation of credit terms. It is not beyond them, however, to stage a moderate recovery toward the end of the year. In the case of soft goods for ultimate use by private consumers, the analysis of consumer expenditures to follow, read in the light of prospective availabilities from current production, although suggesting a sharp drop in the rate of inventory growth, do not seem to imply important absolute declines. What might well happen is that distributors, comforted by a revival of demand for soft goods in 1952, will not find the existing stock of staple goods at least quite as menacing as they have seemed to be during recent months, and may even add to them here and there in the latter part of the year. Meanwhile, the rising military program seems certain for a while to require further additions to stocks for defense production, although the rate may be somewhat lower towards the end of the year. Largely for the sake of a GNP outcome, I would place the fourth quarter 1952 over-all rate of growth at $2 billion, with earlier quarters running fractionally lower.

Net foreign investment on private account bounded from a fair minus in third quarter 1950 to a small plus in third quarter 1951. The impact of world mobilization on an already precarious balance is obscure in size if not direction. An adequate explanation of what may happen henceforth would be out of all proportion to the amount of shift in net spending involved. My guess is that for 1952 as a whole there will be a deficit with the fourth quarter 1952 rate running about minus $1.5 billion.

Consumption Expenditures

Finally, I turn to consumption expenditures, which in the aggregate represent by far the largest part of total spending. How much will consumers have to spend? And how will they behave? Will they continue to save at the high rates of the last three quarters? And what will be the consequences if they do?

We all know, of course, that the sizes of consumer outlays, the spending ratio, and disposable income are related since consumer spending carries its own multiplier. In view, however, of the instability displayed by the spending ratio in postwar days, I don't know that one can do better than stab at a figure that it seems reasonable to assume constant within a fair range of income and ask what this seems to suggest in view of the tax structure and of outlays expected in other areas. I believe that for fourth quarter 1952 the

Kidder, Peabody to Admit Three Partners

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 17 will admit Sherlock Hibbs, Robert C. Johnson, and Francis J. Cunningham to partnership. Mr. Johnson is in the firm's syndicate and sales department. Mr. Cunningham is manager of the Corporate Trading Department.

savings rate might be about 8%, as against the average of about 10% for second quarter and third quarter 1951. This is predicated on belief that the process apparently at work in these quarters—a sharp reduction of "dissaving" or withdrawing from hoards plus a rise in positive savings—will be significantly weaker. This may be worth amplifying. In the middle half of 1951, tight consumer and mortgage credit combined with a direct limitation on output to restrict outlays for consumer durables and houses, at the same time that a feeling of distinct languor about other goods had been induced by previous scare buying. Too many consumers were either broke or satisfied. Result: less dissaving. On the other side of the ledger something more than languor was afflicting consumers. They were toiling under the necessity of meeting contractual obligations on heavy installment purchases made in 1950 and early 1951. Result: higher positive savings. On this mixed basis, I judge that in fourth quarter 1952 consumer outlays will be about $217 billion, reflecting only a slight extension of a persistent upward trend dollar-wise through earlier quarters from the third quarter 1951 rate of $202.5 billion.

In summary, my guess is that in fourth quarter 1952 total dollar GNP on an effective demand basis will run about $354 billion, in contrast with an actual $327.6 billion in third quarter 1951. Supply in third quarter 1951 prices is forecast at $347 billion. The implied price rise, corresponding to no index in particular, is just about 2% —hardly a matter of grave concern. Barring a blow-off, I don't think that price jumps will much exceed this unless the impending round of wage increases proves to be quite sharp.

The Longer Future

What little I have to say about the longer future I will add now. I recognize and claim sanctuary in a distinction between folly and futility. Forecasting itself may be folly, in view of its lacklustre record, but, after all, it is also fair sport, and as Don Woodward capably demonstrated in these meetings a couple of years ago, businessmen have to guess whether they like it or not. But I think that the folly slips into futility to the extent that a forecast pushes so far into the future as to consist largely of assumptions about highly mercurial and arbitrary matters. And our own long-range future is unusually full of them. This has nothing to do with our right to choleric opinions about the cumulative effects of particular public or private policies but is merely raising a doubt about the timing of the crisis, if any. The import of this forecast, for example, is that such long-term wickedness in government's monetary policy, or tax structure, or farm and wage policies, will not bear its evil fruit in 1952.

Even so, there is no ethical escape from taking a position on one eventuality for 1953. So far as I can ascertain, the widely-advertised expansion of the aircraft program and such other planned upward shifts in the military areas as have come to my notice will not blow off the ceiling thereafter. My impression is that despite such changes national security expenditures on a delivery basis, although still likely to be advancing in first half 1953, will do so quite slowly and peak some time in the second or third quarter of that year. Rather large jumps in foreign aid and/or further step-ups in the domestic defense effort will therefore be necessary to push dollar activity on government account significantly above the prospective fourth quarter 1952 rate. And in the private sector plant and equipment outlays will almost surely be softening by that time. Indeed, all things considered, the problem may well be maintenance of high-level employment in 1953. The point, however, should be borne in mind that my estimates take into account such impact as the revisions are likely to have upon outlays in 1952.

Now at a glimpse at 1953! Near-term—a little inflation, but not much, originating in defense spending, a little more originating in fresh wage increases. Longer term—no serious inflation implicit in present or prospective programs. Both terms—no impossible pledge that military programs will not be generally lifted, or international tensions be aggravated, or inflation resume sway for either or both of these unpredictable reasons.

American Bosch Co. Pfd. Stock Offered

The corporation is offering its common stockholders of record Jan. 8 the right to subscribe to 65,450 shares of 5½% cumulative second preferred stock, 1952 series, at par ($50 per share) at the rate of one share of second preferred stock for each 20 shares of common stock held and also the privilege to subscribe for additional shares, subject to allotment. Subscription warrants will expire at 3 p.m. on Jan. 22. The new second preferred stock will be convertible into 3½ shares of common stock until Dec. 31, 1961

The proceeds from the sale of the new preferred stock are to be added to the general funds of the corporation to be available for capital expenditures, working capital and other corporate purposes. It is expected that a major portion of such proceeds will be made available to the corporation's subsidiary, Arma Corporation. Arma's greatly expanding defense production is requiring substantial additional working capital and also will necessitate additional expenditures for machinery and leasehold improvements.

Allen & Co., Auchincloss, Parker & Redpath, Bear, Stearns & Co. and Wertheim & Co. head a group who will underwrite the issue.

With A. H. Bennett Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Edward P. Fischer II has been added to the staff of A. H. Bennett and Company, 1004 Baltimore Avenue.

J. R. Burkholder III With A. C. Allyn & Co.

(Special to The Financial Chronicle)

LEXINGTON, Ky. — James R. Burkholder III has become associated with A. C. Allyn & Co., Exchange Building. Mr. Burkholder was formerly an officer of Holton, Farra Company and prior thereto was a partner in Russell, Long & Burkholder.

Courts Co. Adds

(Special to The Financial Chronicle)

ATLANTA, Ga. — Horace O. Sasser has become affiliated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

Railroad Securities

How Individual Rail Stocks Performed in 1951

As the new year starts out with a far more optimistic tone in the rail stock list, it is interesting to look back and see just what happened in this section of the market last year. This column has repeatedly stressed the fallacy of looking upon railroad stocks as a single group. One repeatedly hears such statements as "the rails have gone up," "the rails were weak," "the rails are a good buy," or "the rails are a good sale" just as if they all moved together. Many people apparently still think that they do move together. They do not. Just as in any other segment of the market, individual rail stocks move in sympathy with individual earnings, individual dividend prospects and individual developments.

Based on their individual experiences, very few people would consider that, on balance, rail stocks had advanced last year. As measured by the Dow, Jones averages they were up in 1951. The year's closing average of 81.70 was 4.06 points (5.2%) above the close of the preceding year. Performance of the individual stocks, as usual, varied widely. In the first place, of the 55 common and speculative preferred stocks listed on the New York Stock Exchange, 35 were down last year and 20 registered gains.

Of the 55 stocks, seven showed gains or losses of less than a point and may thus be pretty much disregarded in a review of the market in 1951. It is interesting in passing, however, to note that two of the stocks showing only fractional net price changes for the year as a whole were Atchison, Topeka & Santa Fe common (down ½) and New York, Chicago & St. Louis common (up ⅜). Both of these stocks were split during the year. Stock splits are generally calculated to increase public interest and participation in the shares, resulting in higher prices. Failure of these two split stocks to get anywhere last year may probably be attributed to disappointment in dividend policies in both instances after the stock splits were effective. Both stocks, incidentally, ended 1951 well below the year's best levels.

Of the 48 stocks that had net changes during 1951 of a point or more, there were 17 that advanced and 31 that declined. All of the 17 that advanced had wider percentage gains than did the Dow, Jones rail averages. Dollarwise the net changes ran from a 31⅝ point rise for Northern Pacific to a 10-point decline for Chicago Great Western common, which, incidentally, had been one of the speculative favorites of the preceding year. Percentagewise these two stocks also headed the parade with Northern Pacific up 98.4% and Great Western down 33.1%. At the close of 1950 these two stocks had been selling in the same general price range—the low 30s. It takes no more than contemplation of these two stocks last year to persuade the investor or speculator that judicious switching operations often pay off handsomely.

Of course Northern Pacific last year was a special situation. A large part of the price advance was due to spectacular oil potentialities rather than to Northern Pacific's status and progress as a railroad property. Even if Northern Pacific is eliminated as not being indicative of a rail stock movement there would still be a wide divergence in the group. Second in line to Northern Pacific on the upside was Seaboard Air Line with a price gain of 39.4%. Others that advanced more than 15% during the year, in order of their percentage rises, were Central of Georgia preferred, and the common stocks of Nashville, Chattanooga & St. Louis, Colorado & Southern, and St. Louis-San Francisco.

On the downside changes were somewhat more pronounced than on the upside. There were six stocks that declined more than 25% and 10 that were off more than 15%. The poorest performers after Chicago Great Western common, were Pittsburgh & West Virginia, Chicago & North Western, and Missouri-Kansas-Texas, all of which were off more than 29%. Others in the 25%, or more, group were Bangor & Aroostook common and Central Railroad of New Jersey. Presumably when 1952 draws to a close it will be found again that price changes have varied greatly.

Elbridge T. Gerry Director

Elbridge T. Gerry, associated with the banking firm of Brown Bros. Harriman & Co., 59 Wall Street, New York, has been elected a director of the Minneapolis & St. Louis Ry. Co., Minneapolis, it has been announced by Lucian C. Sprague, President. A nephew of E. Roland Harriman, prominent banker and leading railroad executive, Mr. Gerry fills the position on the board recently vacated by S. Bayard Colgate, Chairman of the board of Colgate-Palmolive-Peet Company, Jersey City, who resigned.

Elbridge T. Gerry

Bache & Co. Will Admit Partners

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Sydney A. Tessler to general partnership and Edward C. Jordan to limited partnership. On the same date M. G. Woodward will retire from limited partnership in the firm.

R. W. McCaffrey Opens

TOWSON, Md.—R. W. McCaffrey, formerly with J. M. Hoffman Co., is engaging in a securities business from offices at 103 West Chesapeake Avenue, under the firm name of R. W. McCaffrey & Co.

Continued from page 3

Vital Issues of 1952

The growth and wide use of opium was arrested. Extensive road building and public construction coupled with sound civil administration were widely heralded as each year saw Chiang's China less dependent on Japan for its manufactured goods. It was when the General turned his efforts to national defense that Japan struck. There was no coastal defense. It was easy for the Japanese military via its Navy to secure a foothold on China's mainland.

Chiang was still at war with Japan when the Nipponese pulled their surprise Pearl Harbor attack. The General's potential enemies who had been coddled by Moscow saw their opportunity. Japan was now engaged with two mighty foes. When the Japs occupied Shanghai it was General Stilwell who urged Chiang to divert the vast military supplies coming into China via the Burma Road to the Chinese Reds who were then occupying Yenan. General Stilwell believed these political opponents of Chiang Kai-shek's regime could be diverted from their efforts to destroy him. With American arms he fervently believed they could aid Chiang in wresting Shanghai from the Japs. With Shanghai secure, we would then have an open port as a military base. Despite Chiang's contrary pleadings, his former enemies, at our instigation, aligned themselves with him in a common defense.

What the Japaneses hadn't done to China, these marauders did. Instead of fighting the Japs, their villainous efforts were concentrated on sabotaging Chiang's government. They promoted graft and corruption. The decimation of the country, after four years of a "scorched earth" policy, had left China's masses bewildered, confused and hungry. They were easy prey to the Russian trained intruders. These Communists heaped blame on General Chiang Kai-shek for China's plight while our complacent State Department either maintained a mute silence or publicly belittled Chiang in the American press.

In substance, we deserted Chiang Kai-shek rather than offend our World War II ally, Soviet Russia. China was won for the Reds by forfeiture; whereas, direct intervention in South China in 1948 instead of in Korea in 1950 might have saved Chiang the humiliation of fleeing with the remnants of his followers to Formosa.

In the foreign field, the aims and ambitions of Soviet Russia and Red China are of a singular, sinister purpose. What we need in dealing with them is crude common sense, not high sounding platitudes which they neither hear nor understand.

In Europe, progress is being made, though here again, Russia's long arm of intervention is a formidable barrier. Their insidious propaganda, the theme of which is "peace and high wages" is directed at people who having just survived two world wars, seemingly delight in an inferiority complex as it concerns their future. Under our guidance and outright money grants, there is no question that Europe's military and financial mechanism is being painfully restored despite existing exchange and tariff obstructions. The cost to the American taxpayers has been and will continue to be staggering.

In terms of America's great industrial plant, whose expanding productive facilities now represent 33% of the world's total, there is little doubt that our foreign neighbors need financial and spiritual virility if they are to be promising customers of the future. As citizens of this great Republic, we must ask ourselves again and again in this year of decision one simple question: Are not arms, money and men of little avail abroad when there seemingly is lacking sound, intelligent and honest counsel at home? "With stupidity, the Gods themselves struggle in vain . . .," though ours is simply a political disease that can be banished at the voting booth.

Rearmament

Rearmament was instigated by Red China's attack on Korea. It was a powerful stimulant to our sagging economy. The magnitude of our military appropriations means that the broad indices of national income, general business and prices will remain at a relatively high point until we near the end of our preparation.

That Russia views with alarm our intense military preparation begs no answer. The Soviet leaders are masters in the art of cunning and deceit. Should Russia suddenly strike in Europe next summer or fall, it will come with the same suddenness as did Japan's attack on Pearl Harbor. This time the financial community will have no advance warning—though Japan did give us advance notice in the late summer of 1941.

Precisely on Sept. 10, 1941, I wrote as follows:

". . . Already the Japanese Cabinet has decreed a 'capital mobilization plan' bring all finance, industry, production and distribution under government control. All financial institutions are being organized into a single body with the Bank of Japan as the neucleus. Private financing is forbidden. A semi-compulsory national saving plan is now being inaugurated. Control of stock and commodity exchanges and money markets will be tightened. These are the essential steps leading to declared and active war. . . ."

So while a rearmament boom means good business generally, it also implies continued high taxes, reduced profits and always the possibility of full-scale war. As a result, personal and business plans should allow for a wide range of sudden developments — especially during this coming year. A military showdown with the Soviet would mean sudden mobilization of our human and material resources on a scale never dreamed of in terms of World War I and World War II.

Inflation

Inflation is a highly technical subject which was initiated by the first Roosevelt Administration and has continued with two drastic interruptions since 1933. However, our productive capacity has grown so enormously in the last two decades that prices generally had tended to stabilize until the Korean incident ushered in a semi-war economy with its incipient awakening of new inflation psychology. Congress, by its recent vast military appropriations, has again given the Truman Administration the billions of tax dollars which could touch off another upward price surge. It should be really noticeable during the latter half of this year.

Federal deficits and lavish political spending of tax dollars must in time bring on a major calamity. When the wages of labor follow prices — upward and upward — those who hold a selfish view about their own hard-earned savings can collectively call a halt! We have had a housing boom, an automobile boom, an agricultural boom, a personal credit boom and a boom in Federal debt and bank credit. To this pyramid we now add our rearmament boom. Should we be lucky enough not to bungle our way into World War III then inflation which implies rising prices and expanding credit should be arrested sometime in 1953 or 1954. The Federal budget in terms of military appropriations should fix this date. It could be halted before then if only the American people are given a Presidential candidate who understands the evils of inflation.

Taxation

Taxation has now reached the point of diminishing return. It has materially commenced reducing net earnings despite record sales volume. It has forced many businessmen to resort to debt financing at a time when they should be pulling tight their belts for the crisis that must confront American business and its employees when the rearmament program commences to recede. Money rates are already stiffening — a growing sign of mistrust and concern in terms of future business. Rising taxes and record hourly wages have already threatened profit margins — making greater sales volume and quick turnover essential. Still, net after taxes is contracting in most lines of industry. The signs are all too clear. Our extravagant Federal government, continuously pyramiding and monetizing debt, has so raised the general level of prices that the retained earnings of business are insufficient for ordinary needs. Since businessmen are forced by law to distribute profits whether justified or not, their liquid assets are actually declining at a time when they should be growing for the rainy day ahead. The trend of equity financing has been continuously downward recently, whereas debt financing has been climbing at an alarming rate. It is happening when the dollar has lost 50% of its purchasing power in a decade of Federal financial debauchery.

Collectivism vs. Bureaucracy

Collectivism or Bureaucracy are really one and the same. Under the careful prodding of our successive Democratic Administrations, the index of expanding alphabetical bureaus is now reaching into every facet of our national economy. It has touched business with a heavy hand.

A few decades ago, businessmen quite properly believed they were discharging their obligation to society by serving their customers, their employees and their stockholders in a manner that would insure permanent and profitable operations. That responsibility is still paramount — though nowadays supplementary duties involve a vast array of edicts, orders and reports issued by various Federal and State political agencies. In addition, there is the almost monopolistic powers granted organized labor. In conjunction with successive Democratic Administrations who have continuously played labor against management for political advantage, businessmen have been pressured, their very solvency threatened by bureaucrats or a few irresponsible union bosses whose best weapon was the collective strength of labor's vote.

In sectional labor disputes, the unions now avidly use television to publicly air their fundamental points of difference with employers. Employer participation is generally sought, even invited. Yet it is sad to relate, those seats on the podium reserved for management representation are seldom occupied. In this day and age, how can the employer of union labor refuse this challenge when the cost is sanctioned and collectively paid by the very wage earner whose cooperation and respect the businessman so sorely needs in our highly competitive economy? No amount of newspaper advertising, employee bulletins, or trade asso-

ciation propaganda can counteract the cowardice and stupidity manifested by those who choose to openly ignore labor's representatives. By default, we can provide the very tools the iconoclast so earnestly seeks, to destroy by inference and innuendo the system of free enterprise and collective bargaining that has acclaimed our nation as the champion of the profit and loss system—the very system we so earnestly work to preserve in a sick world which is still hell-bent in another direction.

As bureaucracy in government grows the power to levy higher taxes follows. When savings and investment are sufficiently stifled by expensive government the free economy is in jeopardy. Bureaucracy or collectivism has been described as a "resting place on the road to socialism." Extravagance, waste and inefficiency in government stifles and eventually destroys the incentive which private enterprise requires for its growth. When irresponsible union bosses use their monopolistic bargaining power to exact from business wage and pension benefits which do not simultaneously provide offsetting increased production, they are in effect accelerating inflation and thereby penalizing their own constituents in terms of the ultimate purchasing power of the higher wage rates they so eagerly seek. One wonders, reading and listening to labor's spokesmen, if it is not the desire of some to see the investment of private risk capital stifled to a point where the Federal Government could by default assume outright direction of our free enterprise system. It's a function of management to arrest this trend. Employer and employee relationship should be continuously strengthened through educational bulletins and employee directed forums with participation by administrative and supervisory management.

Political Corruption

In terms of *Political Corruption*, we are setting a low standard for a nation which vocally professes high ideals and motives in its relation with our neighbors abroad and its constituents at home. We can never be economically and militarily strong without being first morally strong. Graft, bribery, even outright thievery has been uncovered in surprising places. It comes at an awkward time in assessing its value in terms of election results.

The business and banking community exercised full sway over our economy during the roaring "20s." Private credit was encouraged and pyramided until all semblance of sanity disappeared. The resounding crash which followed was felt around the globe. The Democrats were voted into office on a reform platform. Reforms always arise through necessity. They are never altruistic. Altruism is the halo that decends upon a government or individual for doing something voluntarily that more likely than not would in the future be a matter of necessity.

The New Dealers were elected to turn black into white; adopt methods and measures which, apart from the exigencies of the situation, were symptomatic of what other nations had done before this land was settled. It worked, though this great nation, despite the New Dealers, would in any event, have rightfully assumed its role as leader and spokesman for the family of nations.

As a result of two World Wars, the administrative and financial machinery of the Federal Government has become so complex that economic planning and policy should now be entrusted not to professional shortsighted politicians, but to men of proven vision and ability in the field of actual business achievement. Men of the stature of Paul G. Hoffman and others like him are examples.

The American Federation of Labor, the Committee of Industrial Organization, as representatives of organized labor; the United States Chamber of Commerce representing business; the National Grange representing farmers—all have an equal and common stake in the outcome of this year's election.

Whether President Truman runs or not makes little difference. Of greater importance is the fact that if he chooses not to succeed himself, his hand-picked nominee will be accepted. Surely, the Republican Party can this year agree on a Presidential nominee who is capable of capturing the imagination of a vast majority of our irrepressible youth, the middle-aged, the rural and urban worker, the housewife—that vast army of decent Americans who by their achievements have won and must continue winning the respect and admiration of mankind everywhere in the world.

Unfortunately, our tradition over the years has been directed toward developing the tremendous material and human resources of a vast and rich continent which we share with friendly neighbors on both our borders. We must count ourselves fortunate that we have again this year a measure of prosperity which is by no stretch of the imagination universal. Many proud nations, virtually decimated by war, are, through our beneficence and guidance, rebuilding their shattered economies. No country, least of all ours, can prosper in isolation. Unquestionably, we should continue widening the circle of well-being so that all friendly democratic peoples can eventually share in the enormous storehouse of scientific and technical achievements which American labor and management have together made possible.

Despite shortsighted opposition from powerful sources, the Democratic Party should be commended for adhering to its wise course of promoting economic recovery abroad. The trouble lies in the fact that while the Truman Administration endeavors to promote confidence abroad they retard it at home. Confidence is the breath of life to business and industry. Its absence produces that state of hesitation and half-heartedness which first slows the system, eventually leaves it paralyzed.

The rearmament program, superimposed upon an already high level of industrial activity, has naturally caused widespread dislocations to peacetime production. When the adjustments are completed (they are approaching this point) the inflationary processes will be resumed and a semblance of general prosperity will prevail.

Arms, tanks and military aircraft must be classed as non-productive expenditures. Businessmen realize this fact. Their aim, when military orders cease, is to ensure employees and stockholders that civilian business will be resumed with the least possible interruption. When our businessmen cannot understand the recent gyrations of our political leadership, in whose hands we entrust our national finances, our foreign relations, our trade negotiations, the contacts with labor and industry, how then can future plans be laid with any degree of certainty?

What we sorely need is to extend this year into the political sphere the tradition that has brought America to its unquestioned domain in the industrial field. Our industrial and productive potential is proven and known. Our economic strength is the imperative issue of the moment. We must stop the reckless waste of our tax dollars. The peoples' savings, not Federal spending, are the only non-inflationary source of funds. These savings should promote expansion. Political spending is generally reckless and extravagant. For too long we have been reminded of Sir Ernest Benn's wise observation, "Politics is a short-sighted business, while business is a long-minded affair. . . . Whenever a man goes out to spend his own money he can be trusted to get something like value for it; when the State spends money, value leaves the market."

That the average citizen would have welcomed a political change in November, 1951 goes without saying. Unfortunately, memories are short. What these same people will welcome in November, 1952, stimulated by our armament boom, could be the same old thing.

Nucleonics Stock Offering Completed

The recent offering of 1,998,000 shares of Electronics and Nucleonics, Inc. common stock at 15 cents per share has been completed, all of these shares having been publicly sold through Israel & Co. of New York City, it was announced on Jan. 9.

The primary purpose of the financing is to provide the corporation with working capital to be used in connection with its expansion program.

Frederick Eisele Is Freeman Partner

Frederick R. Eisele

Frederick R. Eisele, who has been associated with Freeman & Company, 61 Broadway, New York City, for more than 26 years, has become a partner in the firm.

Concord Fund Distributors, Inc.

CHICAGO, Ill.—Concord Fund Distributors, Inc., has been formed with offices at 100 West Monroe Street.

Magma King Manganese Common Stock Sold

According to an announcement on Jan. 9 the recent offering of 1,200,000 shares of Magma King Manganese Mining Co. common stock at 25 cents per share has been completed, all of the shares having been publicly sold through Weber-Millican Co., members of the National Association of Security Dealers.

The net proceeds are to be used to pay for the development of manganese ore and other deposits, and for general corporate purposes.

J. D. Casey, Jr. With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — James D. Casey, Jr. and Ralph L. Lapham have become associated with A. C. Allyn and Company, 100 West Monroe Street. Mr. Casey was formerly a partner in Blunt Ellis & Simmons.

Public Utility Securities

By OWEN ELY

British Columbia Electric Company, Ltd.

During the past year there has been increasing market interest in Canadian securities and accordingly a sketch of one of the large Canadian utilities may not be "out of order" in this column.

British Columbia Electric Company, Ltd., with its subsidiaries, controls the most extensive system of electric, gas and transit services in Western Canada, with system revenues of $43 million and assets of $230 million. The Electric Company generates and transmits electrical energy and manufactures and distributes gas. A subsidiary, British Columbia Electric Railway Company, Ltd., distributes electrical energy in the area served and operates electric railway, trolley coach and bus systems in Vancouver, Victoria, New Westminster and other important municipalities in British Columbia. Vancouver, with a population of 400,000 is the third largest city in the Dominion. The business controlled by the company has been carried on successfully for the past 52 years and it has developed into one of the largest producers of hydro-electric energy in Canada.

British Columbia has for many years been Canada's fastest growing Province. In this respect its growth, industrially, commercially and in population, can be compared with the Pacific Coast region of the United States.

	Percentage Increase in Population from 1940 to 1950
Dominion of Canada	18.5%
United States	14.5
Province of British Columbia	41.4
State of Washington	37.0
State of Oregon	39.6
State of California	53.3

The rate of growth of population in the territory served by the B. C. Electric is even greater than the growth in British Columbia as a whole. In its Lower Mainland area the increase between 1941 and 1950 was 60% and in the Greater Victoria Area on Vancouver Island was 43%, making an over-all increase of 57%. The company's compact service territory holds over 70% of the population of the Province, living in the southwest corner in less than 1% of the total area of the Province.

Paralleling this growth, the original cost of the British Columbia Electric system's property in service rose from $110,000,000 at the end of 1945 to $211,600,000 at the end of 1950, some 92%. New capital of $92,500,000 was raised by an increase of $63,000,000 in mortgage debt, $21,000,000 in preferred stock, $6,000,000 in common stock and $2,500,000 in surplus. Actually, the common stock financing medium is a holding company, British Columbia Power Corporation, Ltd., which owns all the common of British Columbia Electric. Its non-voting A and voting B shares are traded on the New York Curb Exchange as well as in Canada.

The management in the postwar years has also virtually completed a difficult and commendable corporate and capital simplification program. All operating subsidiaries except the Railway company have been eliminated. High cost underlying securities and Power Corporation collateral trust bonds and preferred stock have been refunded. In 1951 the first steps were taken to wind up the Railway Company and transfer its assets to British Columbia Electric by an offer to exchange Electric Company securities for some $13,500,000 of 4¼% Perpetual Debenture stock and $7,000,000 of 5% preferred of the Railway Company, both payable in sterling (expressed above at $4.85 to the pound) and held in England. Over 75% of these issues was acquired by the offer, at a discount of some $5,200,000 resulting from the lower value of the pound since the issues were sold many years ago. This $5,200,000 has been added to capital surplus and will serve to maintain the capital structure ratios despite the sale of bonds and preferred in 1951. Next year it is hoped to wind up the Railway Company, transfer its assets to British Columbia Electric and retire the balance of the sterling issues. This will leave British Columbia Electric as a clean-cut operating company with one open-end first mortgage and one class of preferred. Pro forma capital structure (based on original plant cost and with liberal depreciation reserve) is about 55% debt, 19% preferred stock and 26% common stock equity.

In order to continue to meet expected further load increases, capital expenditures are planned as follows:

1952	$33,667,000
1953	29,093,000
1954	21,690,000
1955	20,686,000
1956	27,272,000
Total	$132,408,000

Recently the company arranged to place $20,000,000 1st mortgage 3¾s due 1976 (payable in United States funds) with a group of American insurance companies, on a 4% yield basis. It seems likely that in 1952 and thereafter U. S. investors may be called upon to take more of the securities of British Columbia Electric and of other Canadian utilities.

Degaetano & Spiess

The firm name of Spiess & Co., Inc., 37 Wall Street, New York City, has been changed to Degaetano & Spiess.

Name Now Warwick Co.

MERION STATION, Pa. — The firm name of the Main Line Investment Co., 65 Merbrook Bend, has been changed to Warwick & Co.

John Sundberg Opens

MINEOLA, N. Y. — John H. Sundberg is engaging in the securities business from offices at 178 Second Street.

Lewis M. Wilson Opens

DALLAS, Tex.—Lewis M. Wilson is engaging in the securities business from offices at 3873 Cortez Drive.

Continued from page 4

Effect of Pension Funds' Channeling of Savings

radic. Buying of this sort would be expected to improve market stability and the quality of the valuation judgments expressed by the stock market. When commitments are made for the long pull and by well-informed buyers, market prices are more likely to be sound than when the buying and selling originates from unskillful speculators and investors. Presently exempt from income taxation, the pension funds are free to take capital gains without penalty and can shift from stocks they regard as overvalued to those undervalued, thereby serving a valuable market function. The conservatism and inertia sometimes associated with the trustee function, as well as a bias against "speculative" activities, might, of course, militate against their engaging in such activities. Their long experience in bond investment makes this position natural. However, their advantage under present tax laws over either the individual or the investment company is important.

In the past the institutional trustee has been largely spared the pitiless spotlight of publicity which covers investment company activities. This will doubtless continue. But when managing pension funds for large corporations, the work of the trustee is likely to receive searching scrutiny. Such scrutiny calls for an active investment policy and should mean increased consideration to the shifting market currents created by industry and cyclical changes. Whether more dynamic investment policies will follow or will be more profitable remains to be seen.

Some expect that with their strong tradition against "speculation," (in the sense of buying and selling to realize price appreciation), pension trustees may adopt the "dollar averaging" plan of investing in common stocks. Those familiar with investment formula plans will recognize this as simply the idea of investing equal dollar amounts in common stocks each year. Whether begun in a bull or a bear market, such a plan results in the fund holding stocks at average prices after a period of time. If the upward secular trend of common stock prices shown by stock price indexes continues, a fund accumulated over the long-term in this manner would gradually rise in value regardless of intermediate cyclical fluctuations.

Contributions Will Fluctuate

Sometimes the point is overlooked that even though equal annual investment is planned, the ability of the corporation to pay varies, and so the actual contributions to the pension fund are almost certain to fluctuate with the cycle and the price level. Payments are often arranged to fluctuate with payroll. Only if the trustees of a fund are willing to vary the proportions of stocks and bonds in the fund, can the annual investment in common stocks be made a constant sum. Since the bulk of pension funds are to be invested in bonds, such variable proportions are possible. Whether or not trustees will go one step further and attempt to vary the proportions on the basis of some further formula, such as the constant-bond: stock-ratio plan or some sliding scale plan, so as to try to take advantage of cyclical movements in the stock market remains to be seen. Some are likely to condemn any such policy as speculative. The desire to improve performance and yield will, however, provide a strong incentive to some experimentation with formula plans. Any additional gains will reduce the cost of pensions to the fortunate corporation. Differences in yield even in the debt field can make a large difference in pension costs over a period of time.

Two other factors besides investment yields that determine the costs of pensions are the longevity of pensioners and the age of retirement. Closely related is the matter of labor turnover. Those interested in annuities know of the substantial rise in the cost of an annuity since the 1920's as the result of declining interest rates and increasing longevity. The latter factor is expected to continue to operate as medical science progresses. But just as medical advances prolong life, they also improve the health of older people and make their retirement at an arbitrary age, such as 65, seem less logical. The matter is likely to receive increasing attention. Postponement of pensions for even a few years can make a large percentage difference in pension liability since life expectancy declines rapidly at these higher ages.[7]

While private pensions and Federal Old Age and Survivors Insurance are not strictly comparable, it is interesting to note that following the war the average retirement age of men at which OASI benefits have been initiated has been 68.5.[8] This figure could either reflect a retirement age later than 65 for some, or the possibility of those retired from their regular job obtaining "covered" employment elsewhere which made them ineligible for OASI. Various other influences tending to postpone retirement have existed such as a high rate of employment, a low scale of benefits, and a rising cost of living that further reduced the purchasing power of those benefits. Depression and unemployment might well lower the age of retirement, thereby affecting both OASI and private pension funds.

Because the employee often loses his accrued benefits under a private pension plan when he leaves his job, labor turnover can change pension liabilities considerably. However, the influence of pensions in reducing turnover may have been exaggerated. Most turnover is among younger employees who are still unlikely to be influenced by a distant pension. As age and seniority on the job increases, turnover diminishes greatly even in the absence of pensions.

When a person changes his job in later years his need for old age provision does not suddenly decline. For such persons a non-vested pension plan can work hardships. Vesting, on the other hand, would increase pension costs for the corporation. Since the hardship affects only a minority, it is a question as to how much attention it will receive from either the unions or the corporation. A few have already gone into the matter. Nevertheless, since labor mobility is socially valuable, it is to be hoped that the problem will be studied thoroughly. In this respect, the **fully-vested** annuity policies of college teachers under the Teachers Insurance and Annuity Association set up over three decades ago recognized both the problem of equity to the employee changing his job and the desirability of mobility to the academic community.

One further factor may cause the influences of pension funds upon the investment market to differ somewhat from that of life insurance and ordinary annuities. Most of the pension funds are yet not fully funded, that is, they have not as yet had time to accumulate a fund sufficient to care for that part of their liability resulting from the employment of the past. Discussion up to this point has tacitly assumed a gradual growth as funds grew up to this aggregate liability. After that the aggregate funds would tend to level out. Actually, two variations from this generalized picture are likely to occur. The first, already mentioned briefly, is the substantial effort by some corporations to use the present period of high taxes and good earnings to catch up. The corporation is permitted to deduct for tax purposes contributions to the pension reserve funds up to one-tenth of the deficiency in any single year. Such a measure has the desirable economic effect during the present period of increasing savings and reducing the inflationary hazard by so much. On the other hand, if depression should come while corporate liabilities were still only partially funded, a resultant shrinkage of income or increase in annuity burdens from earlier retirement could impose a load upon the fund which would reduce the net cash inflow and possibly some reserves. Such a situation would parallel that foreseen by some for the OASI which makes no attempt at funding but has nevertheless accumulated some reserves. During the past six fiscal years, June 30, 1945-51, the OASI investments have grown from $6.6 to $14.3 billion, accounting for one-half of the $15.4 billion increase in Federal trust account investments and therefore have been a useful anti-inflationary instrument. It is expected that such funds would reverse their flow and be an anti-deflationary factor in any period of depression and unemployment by transferring so much Federal debt to the banks if put in suitable maturities.

Lack of time will not permit further discussion of investment market effects. Certain subsidiary items are, however, likely to become of interest. For example, in corporate mergers the relative adequacy with which the parties have provided for past service benefits in their pension funds should be significant. The size of a company's pension fund relative to its accrued liability, the age distribution of its employees, and the burden of pension contributions it has to include in costs, all become pertinent data in setting up a merger plan. Similarly, in analyzing corporate securities, accrued pension liabilities and provision for them through accumulated funds will demand attention. Few realize the large sums which maybe involved.[9]

We turn now from the effects of the pension funds upon the investment markets to the broader consequences for the economy generally. Are there any problems or hazards in channeling savings through pension funds in the manner and on the scale contemplated? There are many questions in the field of pension philosophy that fall outside of the scope of our discussion of funds, which must be ignored here even though they will have a large effect upon fund policies and their impact. How, for example, are pension funds likely to affect the employment of older workers and the mobility of labor generally? How wise is it to retire hale and hearty persons who find impor-

7 In a report on "Academic Retirement and Related Subjects" by a joint committee of the American Association of University Professors and the Association of American Colleges it is stated that where a teacher continues to work after 65 "in a contributory retirement plan the additional contributions, the interest accmumlations, and the lowering rates for the purchase of annuities usually combine to increase the retirement annuity by about 10% for each additional year of service." *AAUP Bulletin*, Spring, 1950, p. 105.

8 Myers, Robert J., "Retirement Age under Old-Age Insurance." *American Economic Security*, VIII: 37-42 (September-October, 1951).

tant satisfactions in continued useful employment? How sound is any scheme which contemplates supporting such a large fraction of the adult population in retirement with their longevity continuing to increase? And, even if it is granted that our pension and retirement plans are sensible and feasible for an economy as productive and wealthy as ours, what is the most desirable division of pension burden between Federal tax supported and privately administered plans, and as between funded, unfunded, and partially funded plans?

Even some of the central investment and economic questions must be passed over as outside the boundaries of our topic. For example, pension rights are almost invariably stated in terms of a fixed number of dollars. They offer no adjustment for changes in the cost of living after retirement. Only a limited and indirect adjustment is provided in those plans which relate pension to the compensation in the final years of employment rather than to the average compensation over the whole period of employment or the amounts contributed to a fund. Where pension funds are invested in common stocks, the motivation is higher yield rather than adjusting pensions to the price level, since the contractual obligation is not altered either up or down by changes in the purchasing power of money. This is equally true for both annuity contracts of life insurance companies and for trustee-administered pension funds.[10]

Only those questions related to the impact of savings channeled into the investment market through pension funds are considered here. At the outset it was suggested that these funds would be expected to provide a substantial and relatively regular annual flow of funds into the market. Such a stream of money seeking investment would raise the economic question made familiar by Keynes and his followers. May not savings tend under such arrangements to come to market more steadily than investment opportunities will arise? Any such tendency would tend to result in bank credit expansion during boom periods because of the relative inadequacy of savings. During depression, on the other hand, a counter-tendency for savings to flow into currency and bank deposits might result because of a relative inadequacy of investment openings. In contrast, individual savings if well distributed among the various income classes would tend to rise and fall in much closer step with good times and bad, and therefore with investment opportunity.

This line of thinking runs in terms of the precedents of the older and now well established pension funds of such companies as American Telephone and Telegraph Company and Eastman Kodak Company, which have very substantial reserves. Actually, many of the newer funds may have undertaken such heavy obligations relative to contributions that they may prove to be little more than contingency reserves, after the manner of the OASI. How adequate such reserves may be will depend upon a number of factors. Perhaps a major one will be the length of time they are given to accumulate strength before meeting the hardships of depression and the susceptibility of the company and industry to cyclical fluctuations. Certainly the presumption is strong that in industries like steel and automobile manufacturing large fluctuations will continue. The stream of pensions kept steady by the backlog of older employees with seniority is likely to make the burden of pensions less variable than the fund receipts. Business asset totals look imposing to workers but those familiar with the financial side of business know how relatively small the fraction is which can be drained off by operating losses before liquidity vanishes and a business is brought to the edge of insolvency.

Under such circumstances, it is clear that we cannot safely generalize about the cyclical shape of the savings stream through pension funds until fuller data are available. We cannot actually be sure whether their investment market influence will resemble more the institution of life insurance or the OASI as it is expected to operate, even though much of the previous discussion presumed the former to be the case and probably the more common expectation.

Effect on Volume of Saving

Some speculation has existed as to whether pension funds would add to the volume of saving or merely replace individual thrift with an institutionalized channel. In view of the fact that private pension funds are generally a supplement to the basic OASI benefits, which may be thought of as covering the problem of the first $3,600 of income in covered employment, they provide retirement income chiefly for those in middle and upper wage and salary brackets. So many now fall in these brackets, that it seems safe to guess that perhaps most of these made little or very inadequate provision for retirement in the past. Those in the very highest salary brackets have probably received pay increases that have fallen short of equalling cost of living increases in the past decade and most certainly have lost ground on the basis of net income after taxes. For all save these last persons, whose statistical importance is uncertain, it seems likely that pension reserves represent additional indirect saving rather than merely a shift of saving into a new channel. The wage and salary earners constituting the great majority are very likely to save about as formerly for liquid reserves to care for emergency and short-term needs, for retiring home mortgage debt, and perhaps for life insurance. They might, it is true, rely more upon OASI and private pensions for old age provision and less upon life insurance with its substantial cash values. (Even in the ordinary life policy more than half of the net premium is "reserve," or investment, rather than for current insurance protection.) The smaller premium for term insurance instead of endowment, limited payment, or even ordinary life would permit either additional coverage or spending in other directions.[11] However logical such a change might seem with the rise of pensions, popular prejudice against policies on which "one has to die to win" and conventional patterns of insurance selling are likely to make any changes come slowly. Those interested in this matter will watch for statistical trends in the distribution of policy types.

The realization that most families are underinsured but could be more adequately covered by lower rate policies might merit closer study by students of life insurance in view of the increasing security for old age. Should the mounting life insurance reserves augmented by pension reserves again create an investment problem for life insurance companies, they would have an additional motive for reducing the inflow of savings. No economic imperative says the community must go into debt to provide sufficient and satisfactory investments even for such a worthy cause as life insurance. As the largest thrift institution and one which binds itself to accrue a fixed rate of interest for a long term of years, it has an extraordinarily large concern with the future of the interest rate and the adequacy of debt investment opportunities.

Some have been inclined to attribute the low interest rate of recent years to the artificial Federal Reserve influences which have operated to the advantage of our chief borrower, the United

9 Thus far accounting discussion has been largely devoted to what accounting periods should be charged with actual outlays for pensions for past services, little to the actuarial liability incurred but not yet cared for. See the American Institute of Accountants research bulletin (No. 36, November, 1948) on "Accounting for Annuity Costs Based on Past Services" and B. Bernard Greidinger, ***Preparation and Certification of Financial Statements***, pp. 133-137, 269-272 (New York: Ronald Press Co., 1950).

Under Regulation S-X, the Securities and Exchange Commission provides in Rule 3-19 (e) with respect to pension and retirement plans that (1) a brief description of the essential provisions of any employee pension or retirement plan shall be given; (2) the estimated annual cost of the plan shall be stated; and (3) if a plan has not been funded or otherwise provided for, the estimated amount that would be necessary to fund or otherwise provide for the past service cost of the plan shall be disclosed. Nevertheless, Earle C. King, Chief Accountant of the Commission, in an address before the Virginia Society of Public Acountants (Sept. 5, 1947) stated that "in the absence of a clear-cut legal liability we have not, as a matter of policy, insisted upon the showing of an actuarially determined liability for the accruing pensions" and that a clear footnote explanation is accepted. He points out that a corporate management expecting to remain in business and enjoy good labor relations is not likely to abandon a pension plan. Nevertheless, the Granite City Steel Company in its prospectus (Nov. 27, 1951) states in a balance sheet footnote: "There is no commitment to fund any of these obligations, and accordingly there is no liability for funding the plan with respect to past services, and therefore no estimate of the cost thereof is made." The more common practice seems to be to report an estimate of actuarial liability for past services not funded, as in the prospectuses of the Beneficial Industrial Loan Corporation (Feb. 24, 1949), Gerber Products Company (March 29, 1950), Sharon Steel Corporation (Oct. 29, 1951), and S. S. White Dental Manufacturing Company (April 24, 1950).

10 An exception must be made for the College Retirement Equities Fund, which the Teachers Insurance and Annuity Association plans to establish as an affiliated organization in 1952. Its obligation to policy holders would depend upon the market value of its portfolio during the period of accumulation and a variable annuity would follow retirement for those sums placed in the Equities Fund instead of in the annuities of the Insurance company.

11 In this connection, the Teachers Insurance and Annuity Association recognizing the growing protection in the reserves of its group annuities held by most of its policyholders (the reserve going to their estate in the event of death during the period of accumulation before retirement) has vigorously promoted decreasing term insurance tailored to fit the changing protection needs of the family. Since that plan concentrates coverage in the early years of the family life when children are being reared, the largest coverage is bought in the years in which insurance costs are very low.

Continued on page 28

Continued from page 27

Effect of Pension Funds' Channeling of Savings

States Government. However, the ability of the investment markets to finance so much of the postwar boom with but little recourse to bank credit expansion, suggests a long-term investment problem. The natural interest rate, that is, one at which borrowing would be restricted to the going supply of savings, may well be very close to the level actually experienced since 1945.

Investment Opportunities

But given the problem, can any constructive action be taken to increase investment opportunities during future periods of business recession? Of the three investment fields—business, real estate and government loans—the first would seem the most unlikely to yield to cultivation or plan. Real estate and public works appear to offer greater hope for positive and constructive action. Because real estate is such a heavy user of capital funds, the field is one worth particular attention for private action. Because return on capital and depreciation are such large cost elements in providing housing, periods of low interest rates and low construction costs are a logical time for building such a long-lived investment. While a single swallow does not make a summer, the success of certain depression-born ventures, such as Metropolitan Life Insurance Company's Parkchester development and Marshall Field's office building in the Chicago financial district, point to a type of venture deserving careful study. Elsewhere I have suggested the arguments for considering real estate as a preferable form of investment to common stocks for life insurance investment.[12] A lack of adequate published data on investment experience in this highly important field makes any firm conclusions extremely difficult. But those who appreciate the need for rental housing, the desirability of fostering private investment in that field, and the social and economic implications of the related investment problem of the life insurance companies cannot but agree that the whole matter deserves the most thorough and penetrating study. A growing impetus appears behind certain types of public housing. Such housing saddles the taxpayer with subsidy payments, frightens the private investor with the threat of unfair competition, and requires existing real estate investors to bear a part of the costs of municipal services supplied to such public housing through a discriminatory real estate tax treatment. Such competition between public and private housing may frighten away as much as or more private capital than it attracts in the way of public funds.

Equally paradoxical has been the stimulation of residential housing construction by various governmental guarantees and credit during the postwar boom. It has run exactly counter to policy proposals of economists concerned with cyclical fluctuations. Such economists instead of proposing to stimulate building at a time when the construction industries were running full tilt have called rather for restraint at such times. Proposals to plan during good times for public works and the stimulation of durable goods activity to be undertaken in depression have had wide attention at least since the report of the Committee appointed by Secretary of Commerce Herbert Hoover after the President's Conference on Unemployment in 1921.[13] Such proposals still remain to be implemented in spite of the lesson of the 1930's that they cannot be successfully brought forward on short notice when unemployment actually strikes. Instead, such substantial capital-using projects as the St. Lawrence waterway and a host of reclamation projects are advocated as "defense" measures and pushed at a time when men, materials and money are fully employed. Ordinary economic analysis suggests that such "roundabout production" devices are precisely the type which economic planning would schedule for periods when they would combat deflation and unemployment rather than when they will add to inflationary pressures.

No attempt will be made here to discuss such planning. But to whatever extent additional funds are channeled into investment by pension funds, it becomes necessary to fact the problem as to how they can be used fruitfully and with reasonable safety. For an institution so charged with the public interest, measures for effective utilization are as important as the act of collection. A look at the longer range that rises above the day-to-day problems is indicated. Solutions should be sought to bring savings and investment into reasonable balance and devise a cyclical investment policy that will minimize economic dislocations and insecurity.

In the development of pension funds, we are witnessing a revolution in the capital markets. High personal income taxes and, to a lesser extent, gift, estate and inheritance taxes are reducing the contribution of the higher income groups to the nation's savings. At the same time, the search for security has increased the share of lower income groups through thrift institutions and through pension systems whether the latter are administered through trustees or life insurance annuities. The shift in relative shares of disposable income has been rapidly achieved in less than a generation by changing income tax rates. The shift in the shares of invested property is less clearly known, but is indicated as taking place though at a slower rate. The shift is re-enforced by such institutional devices as pension funds and group life insurance. Individual investment at lower income levels has probably been stimulated by the growing tendency of looking forward to a period of retirement.

The word "revolution" seems justified when we contemplate a society in which the dominant *rentier* class promises to consist largely of retired persons of moderate means. The term *rentier* should include not only those who live on personally owned investments and pensions supported by investments, but also those who receive pensions based directly upon taxes, as in the case of OASI. The liability to pay Old Age and Survivors retirement allowances can be represented as a capital liability by the actuary just as readily as though it were so much bonds.

With the shift of investment ownership to a wider base, institutionalization tends to take the place of direct individual investment. Indirect investment through an institution supplies the small investor with diversification, professional management and freedom from care. The institution provides a channel for investments to reach a mass market. The process has already gone a long way in the field of debt investment. In the field of equity investment except for home ownership, the movement is as yet young.

What of the responsibilities of common stock ownership? Owners of debt investment can assume a relatively passive position. Owners of common stock must pursue a more active role if they are to fill their traditional economic function of selecting competent management and directing investment into economic channels. The weakness of the small stockholder has been noted in the literature of finance in recent years. Will the trustee as a common stockholder of greater importance act more vigorously? The institutional trustee might be regarded as unfitted for such activity by temperament and position: unfitted by temperament because of his conventional association with bond and mortgage investment and the commercial banking business; unfitted by position since a conservative financial institution might lose prestige or reputation if it should enter the conflicts over control or become the object of political attacks upon the "money power." The lessons of the Armstrong Investigation of Life Insurance Companies and the work of the Pujo investigation of 1912 are not forgotten by those who know their financial history.

Fortunately the common stock investments of the trustee for pension funds are likely to be in corporations with successful, smoothly-running organizations. The managements of such major corporations are likely to court rather than resist the comments and counsel of institutional investors, partly as a matter of public relations, partly to check their own ideas and policies with those who are likely to be well-informed from industry studies and economic analysis, and partly because in an era when management lacks voting control it is wise to cultivate the ultimate repository of power before any storms threaten. Institutional stockholding may come to be sought as something in the nature of public recognition of successful management.

In concluding this far-sweeping and highly speculative survey of probable effects and problems arising from the channeling of substantial savings through pension funds, it is noted that more questions have been raised than answered. A summary of the chief questions discussed would be:

(1) Will this new flow of institutional money cause increased cyclical instability by setting up a steadier influx of savings than there will be investment opportunities suitable for their use?

(2) Do not these savings, when added to existing savings already flowing through institutional channels point to a continued low level of interest rates and a long-run problem in the high grade debt market?

(3) Will the additional funds directed into the stock market make for a longer-run appraisal of corporate earnings power and make for greater price stability over the cycle?

(4) Will the acquisition of common stocks by large institutional investors do anything to make the stockholder a more potent force in management selection and corporate policy?

(5) Is it possible that private planning in such a field as housing might discover investment opportunities which could be initiated during depression times when individual borrowers were loath or unable to act?

(6) Is it not possible that without planning for depression expansion of private investment or public works that there will be a drift to government ownership in fields where the latter would be regarded as undesirable if decided on grounds of economic policy rather than political necessity?

Clearly more information is desirable and necessary if the magnitude, position, influence and effects of savings channeled through pension funds are to be properly evaluated. Those who are managing such funds occupy such a responsibile position for the interests of so many people and for such an important branch of business activity that they must be prepared to study the large overall problems where their operations mesh with the nation's economic activities.

12 R. E. Badger and H. G. Guthmann, *Investment Principles and Practices*, pp. 759-762. (New York: Prentice-Hall, Inc., 4th edition, 1951.)

13 *Business Cycles and Unemployment*, a report and recommendation of a committee by the President's Conference on Unemployment, an investigation made under the auspices of the National Bureau of Economic Research, with a foreword by Herbert Hoover. (New York: McGraw-Hill Book Company, 1923.)

Continued from page 10

What's Needed to Attract Investment in Railroads

from any inherent inability of the railroads to make money.

An Improvement in Mechanics of Regulation Needed

There are many facts to be considered in reaching a proper solution to the problem of restoring the earning power of the railroads to the level of other regulated industries, but the overwhelming task is to improve the mechanism of the regulation to which we are subject. Neither the railroads nor any other industry can hope to make progress, or even maintain itself in an efficient condition, under a system of regulation which gives no consideration to the need to attract new capital, not to mention the necessity of maintaining a sound financial position.

Now perhaps you have questions in your mind about other factors affecting railroad earnings as I did before I got an insight into the operations of the railroad industry. Perhaps you think that railroads are not progressive — that railroad men are prone to rely solely on rate increases to offset higher costs without regard to competition; that they are reluctant to find new ways of doing things, and that there is a lack of the flexible thinking found in most successful enterprises. Since I have only been a member of the railroad industry for a few months, I can cite only my experience with the Pennsylvania Railroad. But I assure you that it has never been my privilege to be associated with executives of any company who are more interested in searching out the true facts of a situation more objectively and then undertaking the best available means for solving the problem of improving their operations. Far from relying on tradition, they are eager for new methods and fresh viewpoints, and frequently employ outside firms for consultation to get just such progressive counsel.

Without improvements in efficiency, railroads would really be in a bad way today. Operating economies effected in just the last year on the Pennsylvania Railroad have saved many millions of dollars. Over a longer period it is significant that the Pennsylvania now handles more business than in 1929 with 40,000 fewer employees. Today we can handle a larger volume of business with 200,000 freight cars than we did in the twenties with 285,000. Similarly in almost every category, railroad operations have shown tremendous gains in efficiency whether you look at them over a period of decades or at just the current year. The Senate Report previously mentioned confirms my statement with these words:

"Many people have been led to believe that the financial troubles of the railroads are due to poor management. All objective tests of operating efficiency refute the validity of this opinion."

Not Pricing Itself Out of Market

But railroad management must be efficient in other ways than in operation of railroads and there are those who have accused it of poor financial judgment. It has been said that by seeking higher freight rates, railroad management is likely to "price itself out of the market" and there is evidence that the Interstate Commerce Commission has acted at times on the presumption that by refusing rate increases it was preventing unimaginative management from doing just that. Since 1939 wholesale prices have more than doubled and consumer prices have nearly doubled as you know. The cost of things the railroads buy has kept pace: Materials and supplies have increased 130%; wages have increased about 140%; meanwhile the advance in freight rates has amounted to only 68%. There is a tremendous story of progress in railroad efficiency in those figures—as well as a clear justification for higher freight rates. Today the railroads are carrying the greatest volume of traffic in history with the exception of the war years, not only in dollars, but in units. We are operating at a high level and, given proper rate increases, we are in a position to enjoy relative prosperity.

A publication by the Brookings Institution entitled "National Transportation Policy," based partly on an analysis made at the request of the Hoover Commission, criticizes the Interstate Commerce Commission for its assumption of "the role of a superimposed Board of Directors." Further, on this point the Progress Report of the Senate Committee previously mentioned, said:

"The fixing of railroad freight and transportation rates is an excellent example of the inflexibility of the administrative process of the regulatory law pertaining to transportation. Further, it affords an illustration of the intrusion of the regulatory body into the field of carrier management, and, in effect, a substitution of the judgment of the ICC for the considered business judgment of those responsible for the financial wellbeing of the carrier to its stockholders."

I imagine by now you gather than in my opinion the railroad industry has been afflicted for a long period of time with a severe case of over-regulation.

Subsidizing Rail Competitors

Now let us look at another problem affecting railroad earnings which is often referred to as the subsidizing of competitive forms of transportation. Some of you, I am sure, are familiar with the very convincing arguments about national defense that are advanced as justification for such subsidies. My eyes have been opened on this subject since I joined the railroad industry. I am sure that you, too, will be startled by the dramatic fact that during World War II the railroad industry moved 90% of the military freight and about 97% of all the organized military travel. In other words, if subsidies are to be justified on the need for availability in time of

national emergency, what form of transportation is more deserving of subsidy than the railroad industry? But please do not misinterpret this remark as any plea for subsidies for the railroads. The idea of subsidies is *repugnant* to railroad management and we believe that the only proper test of the economic value of any form of transportation is to allow it to absorb its own costs and prove it can stand on its own feet.

That there is room, need and justification in this country for all forms of transportation is not questioned, but we would like our share of the bed!

We welcome competition because we believe in it. It is the code of life of the most productive type of American business—including the railroads. But we hate to go into the ring with a worthy opponent when one of our hands is tied to our side by the red tape of national and state laws while the other guy is free-swinging.

Every form of transportation that competes with railroads for long distance business is assisted by direct or indirect financial aid, paid for by the general taxpayer—of whom you and I are representatives—and we have for partners in this taxpaying the railroads, whose taxes are contributing to help support their competitors. That is something that must be corrected if we are to restore vigor to the transportation industry.

The railroads are overwhelmingly the most popular form of long-distance transportation and as such are selected daily by the great majority of passengers and shippers However, in their struggle for prosperity they are limited in their economic freedom by state and Federal regulatory bodies, while government dollars dredge freewaterways and build tax-free airports. These factors help enable railroad competitors to operate at below-cost rates for the most convenient business in the competitive market.

In the recent snow storms and blizzards for instance, my railroad spent over a million dollars clearing tracks and keeping switches heated so that the Christmas rush could be accommodated. That is not an extraordinary expense, it is one that we expect with winter, but with our narrow profit margin a million dollars is important money. Meanwhile, as we were spending our money to clear the snow and ice, most of the highways in our territory were cleared and scraped at astronomical taxpayer cost so that the trucks could go through and taxis could reach those airports which might or might not be operating.

Higher Rates Needed

The railroads are appealing currently for the consent of the Interstate Commerce Commission to increase freight rates to the same amount for which they originally asked approval a year ago. When the Commission grants this appeal our gross revenues will increase approximately $60 million a year, which may sound to some of you as though it means a big increase in freight rates. It means, on the average, that the Pennsylvania will charge slightly more instead of slightly less than a penny and a half a mile to move a ton of freight. Let me give you an extreme example—for the cost of moving high-rated merchandise such as grapefruit from Florida to New York City the increase we are asking would add about a penny for each half-dozen grape fruit.

On the other hand long delays are the rule rather than the exception in increased freight rate cases and by the time this increase is granted the grapefruit season may well be over.

We have dwelt sufficiently with the problems confronting the railroads. However, as I said at the outset, we do not consider these insurmountable. Basically, there is nothing wrong with the railroad industry, and placed on an equal footing we would welcome competition from other forms of transportation. We do believe, however, that it should be clearly recognized that the railroad industry no longer has a monopoly on transportation, and that therefore, the proper pricing of our commodity is a function of management and should be returned to management promptly by modernizing the Interstate Commerce Act. We also believe that to the extent regulation is necessary, all forms of transportation should be uniformly regulated and that unwarranted subsidies should be eliminated, and thereby stripped from your tax bill and mine. We are hopeful that the next session of Congress will give a great deal of thought to the necessity of assuring this country of a strong and vigorous national transportation system. Even without legislation, if in these busy railroad years the ICC should agree that the railroads should earn a minimum of 6% as in the telephone and electric utility industries, the net income of the railroads would have been increased in 1950, for example, from roughly $70,000,000 to over $1,000,000,000. In the Pennsylvania alone in 1950 it would have meant an increase of from $38,000,000 to over $100,000,000 in net income. With earnings at such a level we could hope to accumulate the financial strength and flexibility which may be needed to meet future contingencies. *Assume* with me for a moment the situation with respect to the Pennsylvania Railroad with a year in and year out average return of 6%. As I just mentioned, our net income then would exceed $100,000,000. Let me picture what it would mean to the businesses you gentlemen represent if we increased our expenditures for the materials we buy by half of this amount—or $50,000,000.

For the calendar year 1952 our purchases will be approximately $313 million. We'll buy about $50 million worth of fuel—coal and oil. We'll buy about $30 million worth of steel—rails, shapes, bars, sheets, etc. We'll buy some $13 million worth of electrical supplies and an equal amount in castings and iron. Our glass, drugs and chemicals come to $6 million, rubber goods to $2 million. We will spend over $2 million next year for nuts, bolts and rivets. Altogether we buy over 200,000 separate items varying all the way from textiles, needles and pins to locomotives.

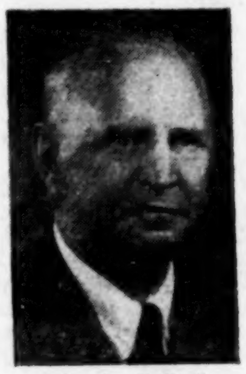
It would not be amiss for the welfare of American business, nor the national defense program, for the amount we spend to be increased substantially to put our key railroad in as strong and perfect a position as we—and we think you—want it to be.

Also, and in my opinion this is of prime importance, the Pennsylvania Railroad would be able to assume its rightful place beside the country's other largest companies in their present-day role of maintaining our democratic way of life. This role of social responsibility now generally accepted by big business is expensive. Modern industrial management seeks to help finance employees' social welfare, assuring insofar as possible security, pensions, safe and comfortable working conditions and a host of other so called "fringe" benefits. All of this costs money and the lack of c a s h-o n-the-barrel head may mean the difference between good and poor employee relations. Training programs for employees and executives are extremely desirable in a personal service industry such as transportation, but under present-day conditions in the railroad industry it is necessary first to consider what these important aids to better service will cost.

Unless positive steps are taken to stop it, the railroads could be marched down a road that you fear as much as we. Without earnings, railroads would be America's first big industry to be nationalized. In Great Britain, Australia, Canada and elsewhere, nationalized railroads, as most of you know, are operated at huge deficits paid by the taxpayers. Just behind the railroads would be the other regulated utilities, then the insurance industry and the banking fraternity. I need not tell you that if such nationalization starts we have lost our democratic way of life. For the railroads who are in the front-line trench of the current battle for free enterprise, I bespeak your understanding and support.

John Pollock With W. T. Grimm & Co.

CHICAGO, Ill.—John D. Pollock has joined W. T. Grimm & Co., 231 South La Salle Street, Chicago firm specializing in institutional investments, as Manager of the industrial sales division, Willard T. Grimm, President, announced. Mr. Pollock has been a consulting engineer in Chicago and New York and earlier was associated with the real estate department of The First National Bank of Chicago and The American Telephone & Telegraph Company.



John D. Pollock

Hemphill, Noyes Admit Three New Partners

W. W. Stevenson, Jr.

Robert R. Spence

Blancke Noyes

Hemphill, Noyes, Graham, Parsons & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, have announced the admission of Walker W. Stevenson, Jr., Robert R. Spence and Blancke Noyes as general partners in the firm.

Mr. Stevenson has been with the firm since 1935, becoming sales manager in September, 1946. He is a member of The Bond Club of New York.

Mr. Spence joined the firm as a security analyst in 1934 and has been manager of the investment research department since Septembr, 1939.

Mr. Noyes, currently connected with the underwriting and syndicate departments, joined the firm in 1948, and became a limited partner in July, 1951. He is a director of Calvan Consolidated Oil & Gas Company Limited, a past president of the Investment Association of New York, and a member of The Bond Club of New York.

Admission of the new partners was previously reported in the "Chronicle" of December 27.

Reinholdt-Gardner Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Glenroy McDonald has been added to the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

George E. Kaul Is With Johnson-McKendrick

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—George E. Kaul has become associated with Johnson-McKendrick Co., Inc., Syndicate Building. Mr. Kaul for many years was Vice-President of the Security National Bank of Faribault.

Selected Investments Formed

WILMINGTON, N. C.—L. S. Everett, Jr., and Mrs. A. H. Kassens have formed Selected Investments with offices in the Insurance Building, to engage in the securities business. Mr. Everett was previously with Allen C. Ewing & Co. Mrs. Kassens was with the Security National Bank.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ross E. Brown has been added to the staff of King Merritt & Co., Inc., U. S. National Bank Building.

Continued from first page

As We See It

It now seems almost incredible that in that year, according to Department of Commerce estimates, purchases of goods and services by the Federal Government came to only $1.3 billion, while State and local governments laid out $7.2 billion for these same purposes. Veterans' Services and Benefits in 1929 had, after a number of years of increase, reached a figure well over $800 million, but by that year total budget expenditures of the national government came to only between one-fifth and one-sixth of the World War I peak in 1919. The peak year in World War II came in 1945, when outlays reached the staggering total of nearly $99 billion; never since that date have they been below about $34 billion. This low point was reached in 1948, and the figure has been climbing ever since.

Government Outlays

But for all the more recent years, the figure known as government (Federal and State and local shown separately) outlays for goods and services is available, and is preferable for the purposes here in hand, since it eliminates such things as interest on public debt (which is so often used as an excuse for not reducing expenditures); it may be compared directly with the total output of the nation (commonly termed Gross National Product) and it provides data which are comparable as between national and local governments. It moreover is available in "deflated" form—that is, the Department of Commerce estimates it in terms of the "1939 dollar."

Now let us turn to some of these statistics. It has already been asserted that State and Local expenditures of this sort in 1929 came to $7.2 billion. As late as 1940, they had risen to only about $7.8 billion. They did not change much during the war. But when the fighting ceased the figure began to climb. Through 1950 — later figures in such detail are not yet available—there has not been a year in which these outlays were not higher than the one before. If 1951, or, for that matter, 1952, does not show further increases, it would be definitely surprising.

But there is today no Calvin Coolidge disposed to complain or in a position to compain even if he wished to do so. The Federal Government even in 1949, before Korea entered the picture, spent nearly $26 billion for these purposes, which is more than in any year since 1945. It is more than four times the comparable 1940 figure. Let it not be said that the total output of the nation has meanwhile grown so much that these increases lack significance. The State and local outlays of this sort in 1950 represent just about the same percentage of total national output that they did in 1929 after a decade, or nearly that, of growth. The Federal outlays of this kind in 1949 (to avoid Korea) constituted about 9.9% of Gross National Product; in 1929, the percentage was 1.3%. In 1940 the Federal figure was 6.1%.

Rising Costs No Excuse

Neither will the excuse of rising costs stand analysis. In terms of 1939 dollars, State and local outlays for goods and services came to $9.8 billion in 1950; they had been $7.7 billion in 1940, and $6.6 billion in 1929. Federal outlays in this constant dollar rose from $1.3 billion in 1929 to $6.1 billion in 1940, to $13.0 billion in 1949. Now, it is possible to come up through the third quarter of 1951 with the total governmental outlay for goods and services in current dollars. It is even possible to study the records of national government and the local units separately. The Federal outlays have, of course, increased enormously thanks to Korea, the rearmament program and to almost total indifference in high places to a continuation of the profligacy throughout governmental operations, whether they be defense, defense supporting or purely political. The figure (on a seasonally adjusted annual rate basis) rose in the third quarter of 1951 to the total of $46.6 billion, as compared with $22.8 billion in 1950.

But all things considered, the record of the local units is even more disturbing. On this same basis they have been running at a rate of more than $21 billion all year, and in the third quarter reached an annual rate of $21.6 billion. This compares with $7.9 billion in 1939, $10 billion in 1946 and about $20 billion in 1950. One scans available statistics for evidence that all this increase, particularly in State and local figures, has or is producing anything substantial. We complain constantly about the condition of the roads of the country, and about their inadequacy measured against the outpouring of motor vehicles in recent years, but there is little or no evidence that road construction or road repair has been proceeding at a rate in any way comparable with the growth in governmental expenditures for goods and services. And so it is all down the line.

We Must Awake!

Somehow, sometime, and that before very long, this country has to arouse itself to the public waste of its substance. It has to become conscious of the fact that unbalanced budgets must be brought into equilibrium not by eternally raising taxes, but by the obvious if not simple expedient of reducing outlays. The rank and file, too, have to be aroused to the fact that it is not only the Federal Government, but the State, the county, the city, the local school district and all the rest down to the smallest unit which have contracted the disease of utter disregard to financial prudence.

Continued from first page

The Economic Outlook

years. Who am I to tell you what the economic outlook is? Or the political outlook or the social outlook? Then why should we try to discuss the economic future? Because there are here and there signs and portents and, even in this strange time of ours, ineluctable economic truths. We can judge the future by these straws and by these truths. So for a little while I am going to present a few of those truths and a bit of past history.

Simple Economic Truths

Now, first, two simple economic truths that you may have lost sight of in this era of pseudo-economics and unsound governmental economics. There is a "business cycle," a cyclic movement in the tempo of our economic activity. Start anywhere you like — say, with the boom. It never lasts, although businessmen regularly think it is permanent and go bankrupt by thousands as a consequence. It ends in a commercial crisis, a collapse of markets.

The crisis results in recession, a steady decline in the volume of business. This becomes depression, in which our economic system drags along the ground like a wounded snake. The economy is prostrate, but it does not die. Eventually, in some sector of the economy there is a little pick-up. It spreads, and we enter the next stage — recovery. Recovery becomes prosperity, and prosperity becomes a boom. We have turned the wheel full cycle.

And now for the second truth. A great war creates a cycle all its own. There is, first of all, the war boom, in which there is built upon the necessarily remaining civilian production an enormous new production of war materiel and supplies. The entire system is galvanized into a feverish activity, with extraordinary increases in wages, employment, and output, rapidly rising prices, and a vast outpouring of government bond issues.

The war boom ends suddenly when the war ends, and we have a reconversion period, in which there is general confusion while enterprise reconverts to civilian production. It is usually a period of recession and unemployment. We had no severe reconversion period after the Second World War because we had three reconversion periods spread over a year and a half.

The third period of the postwar cycle is the first postwar prosperity, in which all the pent-up consumer demand, all the vast savings from excessive profits and excessive wages from the war period, pour into retail trade. There is an inflated, bloated boom, in which wages and prices and output rise spasmodically. It never lasts. The bubble bursts, and we have the first postwar depression. Happily it is short. It is usually severe. The flimsy fly-by-night enterprises that have been riding the waves of a false prosperity are wiped out. Usually it lasts about as long as the first postwar prosperity, 18, 24, 30 months. Then there comes the second postwar prosperity which, with some of the extravagances purged from the system, is more stable and lasts longer. It may last four, five or six years. Then comes the final payment for all the destruction, all the maladjustments of a great war—the second postwar depression, prolonged, tragic, bitter.

World War II Boom

Now, very briefly, let's refer to history. The war boom began with Pearl Harbor and extended to almost the end of 1945. Then we had the mild reconversion period I have already mentioned. Early in 1946 we entered upon the first postwar prosperity, the most hectic, feverish, and extravagant thing of its kind in any country at any time. The break came in 1948, early in October. It was a mild depression. We had not exhausted our savings, which were larger than I had anticipated. The major factor, however, was government spending. A government cannot end a world depression by squandering public funds, as was proved with an expenditure of $40 billion after 1939. But it can ease a short depression.

Out of the chaos of the first world war, there arose in Eastern Europe a slimy crawling beast, the so-called Union of Soviet Socialist Republics. Many of you speak of it as communism. It is not communism. It is not socialism. It is not fascism. And it is not free enterprise. It is a combination of the worst features of all four of them. It has many aspects of free enterprise. It has all the evils of fascism. It is semi-socialistic, and it has, here and there, the elements of communism. Actually it is a dictatorship by a handful of men, keeping in subjection 225,000,000 ignorant, helpless, and frightened people. It is a slave economy, managed by dictators without conscience or mercy. These dictators know that it cannot last. They must move West. Their first objective is to take all of Europe. They have already absorbed nine nations. They intend to subjugate and absorb that little fringe of countries in Western Europe in which the torch of liberty still burns.

Their final aim is this country. They want the unparalleled resources, the unbelievable efficiency, the unmatched equipment of the American people. When we discovered that fact, very belatedly, we did, rightly or wrongly, what we thought we had to do. We began to pour out of our substance untold billions to restore the gutted-out capital of those countries in which there is still freedom, Italy, France, Belgium, Holland, Sweden, Norway, and England. We undertook to rearm those people against the things to come. On top of that we had a spendthrift government at home, and the tremendous outlay of government funds made our first postwar depression more or less nominal.

At the beginning of 1950, we entered upon the second postwar prosperity. In June the Russian beast started the North Korean war. Again, rightly or wrongly, we decided to stand and fight, this country and 51 others. It was a dirty, nasty war. We won it, and then Russia released the hordes of China. We cannot discuss that situation today. But I can give you a suggestion about the conditions we face. Between four and five million Chinese men become 21 every year. We cannot produce munitions fast enough to keep up with their birth rate. When this evil thing came upon us, we entered upon a sort of war economy, half war-half peace, not a genuine war economy and certainly not a peace economy.

We had most of the phenomena of a war economy, shortages of materials, a rapid rise of prices, insistent demands by union labor for immediate increases in wages, vast new orders for war materiel, increase in the cost of living. With these problems our government has been floundering, shadow boxing with the problem of bank control, credit control, and inflation, attempting to institute price control without proper rationing, when price control without rationing is like tying down the safety valve of a steam engine and stoking the boiler, trying to solve the problem of war profits by an excess profits tax, which is discriminatory, inflationary, and destructive of production, surrendering to union labor on every hand, adopting for the highest paid workers on earth with the shortest hours an automatic increase called the Escalator Clause and another called the Productivity Clause, which have just one purpose, to give these highest paid of all workers complete freedom from bearing any of the cost of the war. We have not faced the problems of a war economy.

Where Are We Now?

Just where are we now? Let's consider the question from three angles. First, the immediate economic outlook. I don't know the answer. Last night I attended a meeting in New York. There were present two great authorities, seated at a table in confidential discussion with representatives of big business. Each expressed his views. They were diametrically opposed. As it appears to me, we are balanced today between depression and further inflationary prosperity, with many forces on each side.

On the side of depression and collapse of business is the revolt of the consumer against rising prices, which we see in the troubles of the textile and shoe industries, for example, the rising costs of labor and raw material for all manufacturing, including your business, in another increase in the already heavy taxes on business, in a declining supply of certain necessary raw materials if present business activity is to continue. Those are factors on one side. And one the other is just one, made, of course, of many individual items—the whole inflationary force. It is a race between the forces leading to depression on one side and the forces leading to an expansion of the prosperity from inflation that we have been having. You will have to decide, in your business, which one of these two you believe will develop.

Now for the international outlook. General Marshall, for whom I have the greatest admiration, has said that we may expect ten more years of this half-war, half-peace, that we may expect a continuous tightening of our belts for ten or maybe more years. I do not believe it. In the first place, ten years of the conditions we are now facing in our economy would burn our economic system to a crisp. It would bring about an inflation

that would destroy all your equities in fixed dollars—your life insurance, your savings accounts, your bond investments.

Secondly, it is not the temper of the American people to take this sort of thing for ten years. The American people will demand a showdown long before ten years are past. We are not the kind of people to take this indefinitely. Unless Russia becomes a decent member of the family of nations we will have a war of extermination beside which all other wars will be as nothing.

Is Peace and Depression Ahead?

Let us assume that we somehow manage to achieve a lasting peace. In that case I can hold out to you only the prospect of a depression, from a violent reduction in the war production program. We will have to pay for all the costs and the mistakes of the past before we are done.

Let's consider the situation of our country in a frank and even brutal fashion. The hard truth is that the dangers to this country are political and not economic. This is the finest and richest country that has ever been. This nation can solve man's oldest and saddest problems — poverty and insecurity. There is no limit to what our free enterprise system can do if only it is allowed to work itself out, with such regulation as is necessary. But we have a government which may destroy the entire system. For it is a pressure-group government. A pressure-group government is one that will pass legislation for the benefit of a majority at the expense of a helpless minority. It is a government that will pass evil legislation in order to get votes. It is a government that will tax the minority and distribute the proceeds to a majority for political purposes. We have had such a government for many years.

Do I need to name the pressure groups? There are the farmers, more than 5,000,000 of them, with their feet in the trough since 1933. Our agriculture is now a parasite in our economy, and there is no solution of the problem.

There are the old people. They are going to have in the end a Townsend Plan, which is merely a form of national financial suicide. There are a number of states that are going to go bankrupt at the first touch of depression, from old age pensions alone.

There are the veterans, girding their loins for unlimited raids on the Federal treasury in the years to come. Already they have been the beneficiaries of the most wasteful and extravagant pension in the history of the world—the GI Bill.

There are the government employees, two and three-quarters million in the Federal Government now. There are those on relief. It was ruled last winter that a man who had been on relief for years, with a wife and three children, could desert that family and live with a prostitute and have both establishments supported indefinitely.

Unions Most Dangerous Pressure Group

And, finally, the most dangerous pressure group of all, union labor. I believe in unions. I know what they have done for the working man, and I applaud them. But, under their present management, they are the most dangerous pressure group. They are determined to destroy corporate surpluses. They are determined to take over management, without any of the risks of investment. They are determined to establish a 30-hour week, which is national economic suicide. And they are determined to drive from public office any public official who even questions anything they do, however wrong.

It is the manifest destiny of America to build for the plain man, woman, and child the most glorious existence that has ever been on this earth. It is our heritage from the richness of our resources and the character of our people, and that heritage may be lost through political evils. We can survive war. We can survive depression. But I do not know how long we can survive pressure-group government. It leads inevitably to squandering of public funds, to inflation, to depression, to dictatorship, and to communism. We are on that road.

The three curses of America today are, first, group greed. The second is economic ignorance. We have not had a President with an understanding of the elements of economics for many years. A majority of our Congress does not understand the fundamental principles of economics.

The third curse of our economy, and perhaps the worst, is political demagoguery, which leads a man in office to promote evil government policies against the next election. It is not confined to the Democratic Party.

We can solve every problem of war, we can solve our economic problems, if we can do just one thing. That is to elect to govern us men with three qualities, first, integrity, and second, economic understanding, and, third, just plain guts.

Securities Salesman's Corner

By JOHN DUTTON

The next time you are discussing some phase of investments with one of your prospects, or clients, stop and ask this question, "Is that clear to you Mr. Investor?" You may be surprised to discover that what you had believed to be a very simple matter, is as confused as mud to him. Often we take for granted, that people with whom we are talking about securities, know some of the fundamentals which, to us, are clear as day, when they do not know them at all. I was surprised to discover recently that a man who owned five different issues of mutual funds and who had been investing for almost a quarter of a century in all kinds of securities, did not know the reason why some funds had a liquidating value of around five dollars a share, and others were quoted at twenty or thirty dollars a share. I had the most difficult time explaining why this was so. Finally, after my first illustration failed to soak into his understanding, I made it clear on the second attempt.

Salesmen Often Assume Too Much

Because you spend your life working in securities, because you read and study and work with the financial page, it is a most natural consequence that you believe others are doing the same thing. You know what terms are used in the financial world. To you they are as much a part of your vocabulary as your ABC's. But Mr. Investor only spends a few hours a year in your world. He doesn't read the prospectus, he doesn't know which funds are balanced, he doesn't know the difference between a balanced fund and an all-common-stock fund, or an industry fund. In many instances a "convertible" means an automobile, not a bond, or a preferred stock; and "cumulative" is something out of another world as far as he is concerned. Stop and think it over. How many people understand "leverage"? How many know what a "cyclical industry," or a "cyclical security" represents? How many people can take ten years of balance sheets and put them together, and read a story of progress, or stagnation? How many even know their rights as stockholders, or whether or not bond interest is figured before, or after taxes? You know these things—at least you are supposed to know them—and a great deal more. If you assume that your prospect knows them you may scare him away. You may be talking Greek to him while you believe you are speaking plain English.

Find the Reason Why He Is Investing

There are times when we must explain things. That is when it is advisable to ask "Is that clear to you?" Do not go ahead until it is clear. In this way you will build confidence. Don't be technical. Do not talk down to anyone. Don't ramble on just to show off your knowledge. There are people who know more about investments than either you or your client. You are not there to put on a show of your knowledge—you are there to **Sell Intelligently and Soundly**. Your customer will have faith in you when he sees that you **Know** the answers. From then on you will do the advising, and selling will become automatic. Many investors today desire to steer a conservative course. They will only place faith in a man who proves by his actions, and his concise and clear understanding of this business, that he can be trusted to steer a true course through the maze of investment intricacies which confuse and confound them.

Back of every investment are two primary motives—**hope** and **fear**. People hope for better income, for increases in their capital, for peace of mind, and a feeling of security that a backlog of investments will give them. They buy investments for these reasons, or to protect their loved ones. They also fear for the future. They fear the rainy day, or the fact that a cherished wife will be suddenly faced with the loss of her income if, and when, they are no longer there to provide it. They fear the ravages of old age, of the loss of their health and earning power, of inflation or deflation. These are the reasons why **Investors** buy securities. The speculators are off on the wrong foot to start with. They will find out in time that they did not know the first principles of building an estate—then it will be too late. Thus hope and fear are the motivating forces that will create clients for a securities man.

Stocks, bonds, cash, savings accounts, life insurance, real estate, mortgages, building and loan shares, are only the materials out of which you construct an estate. The less you have to say about how the tools work the better. But if you do have to explain these things, be sure that your client understands what makes the wheels go around. To skip over the "obvious" may cause you to lose both a sale, and a customer.

Loomis, Petersen, Noyes & Hemenway, NYSE Member

CHICAGO, Ill.—John S. Loomis will acquire a membership in the New York Stock Exchange, and a new partnership, Loomis, Petersen, Noyes & Hemenway, will be formed as of Jan. 17 with offices at 231 South La Salle Street. Other partners are Reno H. Petersen, George F. Noyes, Charles F. Hemenway, and Paul A. Sellers. All are with The Illinois Company, which will be a corporate affiliate of the new firm.

San Francisco Analysts Elected

SAN FRANCISCO, Calif.—William P. Held of J. S. Strauss & Co. has been elected as President of The Security Analysts of San Francisco for 1952. Other officers elected for the coming year are: John G. Eidell of Shuman, Agnew & Co. as Vice-President, and Herbert Drake, Assistant Vice-President of the Anglo California National Bank of San Francisco as Secretary-Treasurer. The Board of Governors to serve for the new year in addition to the officers are: John R. Beckett, Blyth & Co., Inc.; Stanley Dickover, Elworthy & Co.; Melville J. Duncan, Calvin E. Duncan & Co.; Philip J. Fitzgerald, Dean Witter & Co.; Richard W. Lambourne, Dodge & Cox; and Willsie W. Wood, Bank of America, N. T. & S. A.

William P. Held

Fred Ulrich Joins Coughlin and Co.

DENVER, Colo.—Fred C. Ulrich has become associated with Coughlin and Company, Security Building, as Municipal Buyer.

Fred C. Ulrich

Mr. Ulrich was associated with the firm of Bosworth, Chanute, Loughridge & Co. of Denver for 25 years and has for the past five years been associated with Peters, Writer & Christensen of Denver.

Ingraham, Millet Co.

(Special to The Financial Chronicle)

AUGUSTA, Maine — Ingraham, Millet & Co. has been formed with offices at 269½ Water Street, to engage in the securities business. Officers are J. Fuller Ingraham, President, and Howard Millet, Treasurer. Horace A. Little is a director.

Eleven Partners for Walston, Hoffman Co.


R. W. Englander, Jr.


Eldon A. Grimm


H. T. Henriques, Jr.


E. G. McEneaney


G. B. Simpson, Jr.


William D. Fleming

Walston, Hoffman & Goodwin, members of the New York and San Francisco Stock Exchanges, announce the admission of 11 new general partners to the firm effective Jan. 1. The New York partners are: Robert W. Englander, Jr., head of the firm's Research Department; Eldon A. Grimm, author of the firm's "Walston Market Letter"; Harry T. Henriques, Jr., floor partner on the New York Curb Exchange; Edward G. McEneaney, third floor partner for the firm on the New York Stock Exchange, bringing the firm's memberships to four on this Exchange, and Thomas J. Tasso, sales manager of the Eastern Division. New partners in other cities include George B. Simpson, Jr., Comptroller, in San Francisco; H. Reeve Derrickson and John A. Meyer in Philadelphia; Fred W. Young, Jr. in Pittsburgh; William D. Fleming in Los Angeles, and Morton D. Harmon in Modesto, Calif.

Admission of the new partners was previously reported in the "Chronicle of December 20.

Continued from page 12

Pressure Groups vs. Social Justice In a Defense Economy

economy is one of the factors upon which the Soviet leaders are counting most heavily? They propose to seize the world for themselves as dictators of the proletariat by the forceful liquidation of all other groups and classes. They depend upon the blindness of what they call the bourgeoise states. They depend upon the peoples of these states to forget what freedom has gained for men and to fail to realize that the time is here for free men to devote those gains to the salvation of the very institutions by which freedom has been won and maintained. So the whole course of Soviet policy from the close of World War II to this hour has been to wage economic warfare against the free world and against us because we are economically the strongest nation in the world. Our strength lies in the fact that under our system, with all its imperfections, the individual has risen to a higher standard economically than was ever before attained by men. Let us briefly review the American economy.

The American Economy

Out of a total labor force of more than 63 million, less than 2 million are unemployed. In 1950, the per capita disposable income in terms of a population of more than 151 million persons amounted to $1,347, while the estimates for the third quarter of 1951, on the basis of a population of 154 million, the per capita disposable income is $1,365. Farm income in the postwar years (1946-1950) averaged $2.358 billion. For the first ten months of 1951 it averaged $2.490 billion, far above the levels of the prewar years. Industrial production and business activity are running above all normal levels. The gross national product rose above an annual rate of $300 billion in 1951 and still continues at the same unprecedented levels. For the first time since our war debt skyrocketed after 1941, the gross national product for a single year is once more greater than the national debt.

Private expenditures for construction were made at a rate in excess of $20 billion in each of the years 1950 and 1951. This was more than twice as much as the expanding public expenditures for construction in each year. Compensation of employees, which in 1947 amounted to $128 billion, had risen to more than $153 billions in 1950, and during 1951 has been running above $170 billions. During the same period the income of proprietors has risen from $42.4 billions to almost $49 billions. Corporate profits, after taxes, which in 1947 amounted to $18.5 billion, were running in 1950 and 1951, on a quarterly basis, from $17 to $27 billion, a rate far greater than the rates which preceded the war.

In other words, agriculture, labor and business, all have prospered in the years following the cessation of fighting in the second world war. The productive output of the American economy has never been so great nor have its benefits ever been distributed more widely. There is no group which has not shared in some degree the general prosperity. It is true that we have had inflation. It is true that the cost of living and the cost of defense have risen, but the productive capacity of the United States has risen also. A much larger proportion of our people are employed and are enjoying the good things of life than at any time in history. Complete social justice has not been achieved, but the general mass has prospered far beyond the dreams of the inhabitants of any other country and this progress has been so great that the so-called pressure groups should not risk the continued existence of the very system which has produced these gains by failing to realize that the task to which we must now turn our hands is not to win a little more prosperity for any particular group, but rather to preserve the system which has made these gains possible.

The defense economy is not an end in itself. It is a means to a larger end, namely to an economy of peace in which social justice may be secured for all groups and classes. The last thing that Americans should now risk is anything that resembles a class conflict. Communism can prevail only to the extent that it promotes class conflict. Free peoples must understand that the gains which have already been won through freedom should now be devoted to the preservation of freedom because we stand face to face with a totalitarian dictatorship which would destroy it all.

It cannot be emphasized too often that this is far more than an economic crisis. It is in fact a crisis of civilization. It is as sensible for us to blame one another, either as individuals or as members of various economic segments, for the existence of the crisis as it would be for the victims of a tornado to quarrel among themselves over the causes of the storm. All mankind is to blame. We have not understood the forces with which we are struggling. Too many of us have been hoping that the crisis will solve itself and that next week or next month the totalitarian dictatorship will of itself cease to be a problem and abandon its aspirations for world conquest. Nothing could be further from the truth. Lenin and Stalin have told us in the plainest of plain words that their purpose is to destroy the system of private property and that they intend to use every deception, every device, every scheme to bring about this end. They have told us that a free economy is a delusion which will destroy itself and their policy has been an unbroken catalogue of incidents intended to produce economic, political and religious confusion.

After both world wars we have made the mistake of assuming that military victory was sufficient. Twice, to our great suffering and great loss, we have learned that it was a mistake. The free world defeated the aggressors in World War I, but drifted into a second world war because we lacked the will and the ability to make a stable peace after the Kaiser had been driven from power. World War II came to an end six years ago as a military conflict, but the peace has not been achieved yet. Oppression, injustice, force and war are found all around the world, but we are still hoping that somehow it will all be settled without any inconvenience to us in the pleasant pursuit of normal economic activities. Pressure groups are busy seeking a little more for themselves while ignoring the death struggle that envelops the globe and which could easily swallow up everything that has been so painfully won for liberty and progress.

There is a simple fact about World War II that seems to be wholly neglected, namely that it resulted in destroying the great powers which for years had dominated the political and commercial life of the world. Germany, France and even Britain no longer wield the power they once held. The colonial empires of the past are dead, but not buried. There is not a single political or economic power in the Eastern Hemisphere that can stand against the Soviet and its tyranny over the souls of men. The United States of America alone is equal to the task. Our strength does not lie in the few millions we can put under arms nor even in our capacity to produce new scientific engines of destruction far more terrible than those ever wielded before in war. Not in numbers nor in the power to blast peoples and cities to death and destruction does our strength lie, but in the deep concepts of equality and social justice upon which this nation was founded and in the economic strength we have won by maintaining freedom of opportunity. That is our strength.

If a third world war should come, no continent and no nation would be free from its horrors. There is no new continent to which the refugees of World War III can flee. Indeed, we have not been able to provide for the refugees of World War II, nor has the economy of any nation been stabilized. Surely it must be clear that after military victory in two global conflicts failed to obtain either political or economic peace, a third world war would be the final calamity of this century of world wars from which none could escape destruction.

Meaning of Social Justice

Social justice for all is our purpose. It cannot be split up in such fashion that some may prosper while others are oppressed, for "all men are created equal." The defense economy in the free world is an economy to promote freedom and equality. The defense economy in the totalitarian world is designed to destroy freedom and equality. If we are to have any pressure group at all in the free world it must be a pressure group devoted to the attainment of freedom and equality for all. It follows, therefore, that if the defense economy is to be made to serve the ends of freedom we who have most profited from freedom in material prosperity must now be willing to pledge our material gains to the preservation of the spiritual concepts upon which free institutions are based.

Pressure groups, instead of engaging in devisive struggles for profits which cannot possibly be made in modern war or preparation for war must now be willing to unite in sharing the burden the modern crisis demands of free society. Labor and management have made significant progress in working out methods to reach agreement. All the segments of our economic structure can likewise learn to work together. They must learn to work together because no segment can prosper at the expense of any other.

The American Constitution came into being at a moment when the thirteen original colonies seemed to be facing a future of chaos. Political unity was won because wise leaders placed the good of all above the good of any of the parts. Economic unity now must be won. The call again is for wise leaders who, forgetting narrow sectional, group or individual ambitions, are willing to join together to promote the welfare of all. Modern war is total war and its economic aspects are even more all-inclusive than its military aspects. In a defense economy designed to preserve freedom, pressure groups can promote social justice only by uniting to preserve economic freedom and oportunity for all.

An Economic Partnership Needed

Economic partnership to strengthen the American economy may well be our greatest need. In the cold war the totalitarians are waging, they are directing their principal attack upon what they conceive to be the weakest link in our defense, namely, the lack of unity on the economic front. We have moved into an era of industrial collectivism, but continue to think and act as though we are living in the old fashioned era of individual enterprise. It is industrial collectivism that has made the pressure group a modern problem.

Collectivist economic states, like the billion dollar corporations listed every year by the United Press, are national organizations owned by many, managed by few, with vast numbers of employees who are unable to protect their individual economic interest except by organization. The business groups are organized, industrial groups are organized, financial groups, labor groups, agricultural groups, and consumers all are organized, pursuing their separate and distinct courses to protect special interests, while the common good of all is neglected. Yet unless the common good is served, none of the special groups can succeed. In a business economy, the activities of these groups are perfectly understandable. But in a defense economy, let me repeat, they have no place, for class conflict will inevitably destroy the entire struggle for both economic and political freedom.

I am confident that the masses of the people of America at every economic level have a far better understanding of this simple truth than do the leaders of any of the special organizations. The latter are too close to what seems to be the possibility of an immediate gain or an immediate profit to see that unless "we all hang together we may well hang separately," as Benjamin Franklin tersely told the delegates to the Continental Congress. Unless we hang together we shall create the breach in the ramparts of the American economy upon which the Soviets are counting.

Again let me say that the defense economy is a means and not an end. It is a means toward the preservation of a political and economic structure in which social justice is possible. Pressure groups have no place in such an economy, and if social justice is to be attained, all of our people must come to the clear understanding that the cold war is an economic war, and that it must be fought and won upon the home front, by patience, tolerance, and a willingness to sacrifice in defense of freedom.

James J. Lynch Joins Paul D. Sheeline Co.


James J. Lynch

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James J. Lynch has become associated with Paul D. Sheeline & Co., 31 Milk Street. Mr. Lynch was formerly an officer of Shea & Company and prior thereto was with the Sears Corporation. In the past he was a partner in H. D. Knox & Co.

Three With Beer Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — William C. Appleby, Strother C. Fleming, Jr., and George A. Nicolson, Jr., have joined the staff of Beer & Company, Trust Co. of Georgia Building.

Continued from page 5

The Outlook for Stock Prices During 1952

type of readjustment which now seems to be in prospect tends to approximate 20%-25% in the leading industrial stock averages. Sometimes the extent of the actual decline is not fully reflected in the Dow-Jones Industrials, which are dominated by a few high-priced issues including A T & T, but the type of corrections witnessed in 1923, 1926, 1934 and 1946 all averaged between 20% and 25% in one or more of the leading measures of the market as a whole. A 20% decline from the 277 level touched last September would mean a reaction of about 55 points, or to around 222; a 26% decline, comparable to that witnessed in 1946, would mean a reaction of about 72 points, or to around 205.

(2) There is a distinct tendency for major corrections or minor bear markets to approximate twice the extent of the last or speculative phase of the preceding advance. In 1946, for example, the last phase of the 1942-1946 rise was that following the 11% correction in February of that year. The Dow-Jones Industrials rose by about 26 points from February to May, 1946, and then declined by 52 points by October, when the Dow-Jones Industrial Average reached its extreme 1946-1949 intra-day low of 160.49. The comparable phase of the recent advance was that witnessed between June and September of last year, when the Dow-Jones Industrials rose by about 36 points. Under this particular technical "rule" we should now be prepared for a possible decline of roughly 72 points or to around 205 in the Dow-Jones Industrial Average. It might be noted, in passing, that the majority of the leading industrial stocks were unable to record new highs during the last leg of the 1946 advance, and that the same thing was true last year during the advance from June to September.

(3) Most declines, like the preceding advance, also tend to have three distinct phases or "legs." The first phase of the decline (which more often than not is followed by a retracement of at least two-thirds of that decline), is usually equal to less than one-third of the total correction or bear market. (In 1937, as you may recall, the Dow-Jones Industrials declined from 195 to 163, or 32 points, and then rose to 190 before completing a total decline of 97 points. In 1946, the initial decline amounted to 14 points, with the entire bear market in that year totaling 52 points). If we are right in our assumption that the 22-point decline of late last year was the first leg of a major decline, we should look for a total reaction of at least 67 points, or to about 210.

(4) There has been a rising trend in the ratio of stock yields to bond yields since 1932. The market received definite support in that year when stock yields were equal to 2.1 times bond yields. The 1938 low for the Dow-Jones Industrials was recorded when the ratio of stock yields to bond yields was 2.5. The 1942 low was made when this ratio reached a peak of 2.9. In June, 1949, industrial stocks were selling on a yield basis equivalent to 2.4 times bond yields, while rail stocks were quoted on a yield basis of 3.1 times the return on high-grade bonds. Assuming that dividend payments for the twelve months ending next March or April will be not far below the levels of the past twelve months, the Dow-Jones Industrial Average would have to decline by about 20 to 25% before the yield on this index, in relation to bond yields, is as attractive as it was in the Summer of 1949.

In this connection, I might mention that I believe there is substantial logic behind the rise in the ratios of stock to bond yields. In the first place, except when stocks are selling at obviously depressed levels, sophisticated investors normally demand a yield differential which, after taxes, provides them wtih a fund which might be called a reserve for possible capital losses. The more substantial private investors today need a yield differential of at least 6% over that obtainable on high-grade bonds, in order to realize a *net* differential of 1% or 2% for the amortization of risk. To be sure, this wide differential is not necessary for certain types of security buyers, including the pension funds, but these groups account for only a very small part of the ownership of equities.

If the pension funds were to invest in equities as much as one-third of the $1.2 billion of new money they are expected to accumulate in the next 12 months, and limited their buying to five stocks—(GM, GE duPont, Standard Oil of New Jersey and AT&T) —they would absorb only 2% of the capitalization of these companies!

V

Factors for Later Uptrend

I believe that the trend of the market will be upward in the latter months of the year primarily for the following reasons:

(1) In the past, minor bear markets or major corrections have always run their course in the New York "Times" and Dow - Jones Averages within five to seven months, when no downward spiral in business was imminent. The 1946 decline is a case in point, when the entire decline, for all practical purposes, was witnessed within a span of five months. The current decline dates, of course, from last September.

(2) Federal fiscal operations will start to turn inflationary by late in the second quarter. The government deficit for the last half of the year will be increased to some extent because of the new schedule of corporate tax payments.

(3) The inventory readjustments referred to above should be largely completed by about March or April—which period may well be comparable to about June, 1949.

(4) We are in an important election year, and the present Administration learned the lesson in 1946 that the trend of the stock market in the latter months of an election year can have an important if marginal influence on the voting. Mr. Truman's predecessor, under the guidance of Charles Michaelson, always saw to it that the trend of stock prices would be upward during at least the five or six months before every election. As you know, the government has tremendous powers to influence the market, through both spending and talking, and by the timing of announcements by such agencies as the Federal Reserve, the SEC, and others. (You might read Mr. Eccles' memoirs if you doubt this.)

(5) I believe that many of the more conservative and intelligently managed pension funds will buy stocks very heavily on any decline of 20% or more in the market as a whole, particularly since this would almost certainly mean a decline of more than 33% for the majority of stocks. Any substantial purchases by this type of buyer would quickly clean up the floating supply of equities, in contrast to the conditions prevailing in 1946. At that time, the public turned very bearish on the 25% decline in the averages largely because their attention was focused by many of the Wall Street financial writers on what happened after World War I, under entirely different fundamental conditions.

VI

Inflation Not Constant

In closing, I want to say that I am not unmindful of the fact that stocks appear to be very cheap in relation to current earnings, as judged by pre-"Fair-Deal" standards; that the *long-term* trend is just as inflationary as it was in 1937 or 1946; and that the high yields on stocks still make equities attractive to certain types of investors. I cannot help but be influenced by the fact that when I urged some of our clients to reduce their common stock holdings in late 1936 and early 1937, I found terrific resistance because of the inflationary psychology which had been built up at that time, and because bonds were selling on a very low yield basis. Again, in January, 1946, I presented a story similar to the above, and when I wrote that we should look for a decline to between 155 and 165 in the Dow-Jones Industrial Average, I was not permitted to put out this memorandum by the brokerage house with which I was connected because it was "obvious" that a decline of bear market proportions was not likely to be witnessed in view of the excellent outlook for business activity. The probability that price controls would be modified or abolished by sometime in 1946 was also considered an unanswerable argument for buying even such stocks as Schenley at the equivalent of 80 for the present stock, as this "growth" issue was selling for only 8 or 9 times that year's earnings. As I stated at the beginning of my talk, I have a definite bias towards the preservation of principal, and believe that most investors should be willing to forego income and possible profits for the sake of not risking principal, once the market has had a substantial advance, and when the possibilities for additional capital gains are, at best, no greater than the intermediate risks. I might mention, however, that I was definitely on record with recommendations to buy stocks, up to the limit in all accounts, in June, 1932, in the first quarter of 1938, in the first five months of 1942, and again, after the Dow-Jones Industrial Average declined to below 170 in 1946. I mention this only because I do not want to be confused with another publisher of a weekly bulletin who, I think, has been optimistic during only one or two of the past 20 years.

Five With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Louis F. Byrne, Robert E. Henske, Vincent P. Ring, Jr., George Shulman, and Raymond C. Wolter have become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Byrne was previously with Olsen, Donnerberg & Co.; Mr. Henske was with Slayton & Co., and Mr. Ring and Mr. Wolter with Fusz-Schmelzle & Co.

REPORT OF CONDITION OF

THE CORPORATION TRUST COMPANY

of 120 Broadway, New York 5, N. Y., at the close of business on Dec. 31, 1951, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS		
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection		$997,228.01
United States Government obligations, direct and guaranteed		472,270.50
Obligations of States and political subdivisions		50,000.00
Corporate stocks		60,000.00
Furniture and fixtures		391,802.61
Other assets		470,304.93
TOTAL ASSETS		$2,441,606.05
LIABILITIES		
Demand deposits of individuals, partnerships, and corporations		$166,536.18
TOTAL DEPOSITS	$166,536.18	
Other liabilities		1,303,777.95
TOTAL LIABILITIES (not including subordinated obligations shown below)		$1,470,314.13
CAPITAL ACCOUNTS		
Capital †		$500,000.00
Surplus fund		325,000.00
Undivided profits		146,291.92
TOTAL CAPITAL ACCOUNTS		$971,291.92
TOTAL LIABILITIES AND CAPITAL ACCOUNTS		$2,441,606.05

†This institution's capital consists of common stock with total par value of $500,000.00.

MEMORANDA	
Assets pledged or assigned to secure liabilities and for other purposes	$100,570.50
Securities as shown above are after deduction of reserves of	4,713.88

I, CHARLES J. SKINNER, Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

CHARLES J. SKINNER

Correct—Attest:

OAKLEIGH L. THORNE
NORMAN J. MacGAFFIN } Directors
WM. R. WATSON

NASD District 8 Elects Officers

CHICAGO, Ill. — Joseph E. Dempsey, President of Dempsey & Company, Chicago, Illinois, has been elected to the Chairmanship of District Committee No. 8 of the National Association of Securities Dealers, Inc., to succeed Edward C. George. Mr. Dempsey will assume office Jan. 15, 1952.

The newly elected Vice-Chairmen are Vern S. Bell, President of Bell and Farrell, Inc., Madison, Wis., and Harry G. Williams, Vice-President Quail & Co., Davenport, Iowa.

Messrs. Dempsey, Bell and Williams are serving their third year as members of the Committee.

John F. Brady, Secretary since 1942, continues as the Executive Officer of the Association at Chicago.

District No. 8 is constituted by the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin.

On Jan. 15, 1952, G. Edward Slezak, Loewi & Co., Milwaukee, Wis., J. Gordon Hill, Watling, Lerchen & Co., Detroit, Mich., Russell H. Goodrich, Investment Securities Co., Jackson, Mich., and David J. Harris, Sills, Fairman & Harris, Inc., Chicago, Ill., will become members of the Committee succeeding Paul E. Conrads, Conrads & Co., Rockford; Gilbert S. Currie, Crouse & Company, Detroit; Nelson R. Gilbert, Donovan, Gilbert & Co., Lansing; and William D. Kerr, Bacon, Whipple & Co., Chicago.

Halsey, Stuart Group Offers Eqp. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Thursday) $8,170,000 Southern Pacific Co. series HH 2¾% equipment trust certificates to mature annually Jan. 1, 1953-1962, inclusive (10 years) at prices to yield from 2.25% to 3%, according to maturity.

The certificates, offered under the Philadelphia Plan, are secured by the following new standard-gauge railroad equipment estimated to cost not less than $12,255,000: three Diesel passenger locomotives; nine Diesel switching locomotives; 26 Diesel freight locomotives; 615 50-ton, steel-sheathed, wood-lined box cars and 125 50-ton all-steel tight-bottom gondola cars.

Also associated in the offering are: Ira Haupt & Co.; Hayden, Miller & Co., and William Blair & Co.

Robert H. Watson Joins Rodman & Linn Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert H. Watson has become associated with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Watson was formerly with White, Weld & Co., and Francis I. du Pont & Co. Prior thereto for many years he was with F. S. Moseley & Co., and Blyth & Co., Inc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of the principal New York City banks for 1951, compare favorably, in most cases, with those of the previous year.

Sharply increasing loan volume combined with firmer interest rates enabled the banks to show a good gain in pre-tax operating income. Higher corporate tax rates limited the gain in final earnings, however, and in some cases was the primary reason for the lower net income reported.

Of the 13 institutions which have reported operating results for 1951, nine show higher earnings. Of the other three major banks which have not reported operating results, two show larger indicated earnings than a year ago.

Profits from security transactions for 1951 were not so large as a year previous largely as a result of the higher interest rates. Their effect on overall operations, however, was not particularly significant and total earnings were generally higher than in 1950.

Operating results for 1951 compared with those of the previous year for 16 of the major New York banks are summarized below:

	Operating Earnings		Profit from Securities		Total	
	1951	1950	1951	1950	1951	1950
Bank of Manhattan	$2.37	$2.41	$0.02	$0.15	$2.39	$2.56
Bank of New York	25.21	26.03	‡	‡	‡	‡
Bankers Trust	†	†	†	†	*2.36	*2.60
Chase National	2.88	2.50	0.03	0.33	2.91	2.83
Chemical Bank	†	†	†	†	*3.33	*3.02
Corn Exchange	4.68	4.83	‡	‡	‡	‡
First National	65.06	68.30	8.26	11.20	73.32	79.50
Guaranty Trust	17.66	16.89	nil	0.14	17.66	17.03
Hanover Bank	6.53	5.94	0.70	0.87	7.23	6.81
Irving Trust	1.56	1.48	0.01	nil	1.57	1.48
Manufacturers Trust	4.96	4.63	‡	‡	‡	‡
Morgan, J. P.	†	†	†	†	*16.29	*13.58
National City	3.51	3.19	0.08	0.23	3.59	3.42
New York Trust	8.09	7.17	—0.08	0.03	8.01	7.20
Public National	4.02	3.64	0.13	0.93	4.15	4.57
U. S. Trust	17.80	17.11	‡	‡	‡	‡

*Indicated earnings, operating results not yet available. †Not yet reported. ‡Not reported.

The principal changes shown in the condition statements of the New York banks were increased deposits, higher loan portfolios and decreased holdings of U. S. Government securities.

These changes were largely a reflection of the forces at work in the banking field throughout the past year. Demand for credit was stimulated by the expanding activity of business to support the defense program. Funds to meet this demand were obtained from increased deposits and by reducing holdings of government securities. Of course, there were individual exceptions to these general trends but they were not too significant in the overall showing.

The changes in deposits, loans and holdings of U. S. Government securities for the past year for the 16 New York banks are summarized below:

	Deposits		Loans		U.S. Govt. Securities	
	1951	1950	1951	1950	1951	1950
	(000's omitted)					
Bank of Manhattan	$1,253,199	$1,218,053	$566,285	$531,836	$293,621	$292,312
Bank of New York	431,449	431,515	157,971	147,225	158,589	156,048
Bankers Trust	1,944,292	1,642,085	926,473	774,683	411,760	412,006
Chase National	5,149,631	4,871,424	2,161,952	1,815,388	1,183,477	1,477,758
Chemical Bank	1,775,159	1,552,289	715,349	611,027	506,613	433,228
Corn Exchange	788,651	778,685	143,035	112,109	394,123	436,464
First National	609,587	580,742	193,141	172,216	234,549	311,055
Guaranty Trust	2,699,812	2,503,010	1,384,002	1,230,658	696,004	802,888
Hanover Bank	1,663,228	1,616,866	591,283	547,060	606,459	605,051
Irving Trust	1,241,433	1,218,560	588,865	519,324	328,382	369,389
Manufacturers Trust	2,569,981	2,561,949	816,946	743,660	851,914	1,030,957
Morgan, J. P.	622,159	582,011	268,604	259,589	172,374	152,219
*National City	5,549,041	5,244,186	2,089,776	1,666,337	1,658,914	1,805,850
New York Trust	704,865	718,558	309,871	261,692	229,826	289,534
Public National	489,003	492,860	224,516	234,314	129,533	123,271
U. S. Trust	151,210	137,771	49,443	66,432	82,697	60,907

*Includes City Bank Farmers Trust Co.

Of the 16 banks, 12 showed increases in deposits, 14 reported gains in loans and 9 held a lower volume of government securities at the year end.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late Walter V. Harvey in Beer & Co. ceased Dec. 31.

Interest of the late Adams Batcheller, Jr., in Dominick & Dominick ceased Dec. 31.

Interest of the late John L. Goodbody in Goodbody & Co. ceased Dec. 31.

Interest of the late George T. Purves in Hemphill, Noyes, Graham, Parsons & Co. ceased Dec. 31.

Interest of the late Frederick S. Gordon in Colgate Hoyt & Co. ceased Dec. 31.

Interest of the late Gilbert U. Burdett in Laidlaw & Co. ceased Jan. 1.

Interest of the late Sadie Mayer, limited partner in Mayer & Hart, ceased Dec. 31.

Interests of the late Clyde A. Buzza in McKelvy & Co. ceased Dec. 31.

Interest of the late Edward C. Bendere, limited partner, in Merrill Lynch, Pierce, Fenner & Beane, ceased Dec. 31.

Interest of the late Herbert T. Tomlinson, limited partner, in Moore, Leonard & Lynch, ceased Dec. 31.

Interest of the late A. W. Morris in A. W. Morris & Co. ceased Dec. 31.

Interest of the late Irving D. Fish in Smith, Barney & Co. ceased Dec. 31.

Interest of the late Gordon E. Behr, limited partner, in Walston, Hoffman & Goodwin ceased Dec. 31.

Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Elliott S. Walsh has become affiliated with Coburn & Middlebrook, Incorporated, 75 State Street. He was formerly with Investment Research Corporation and in the past with J. Arthur Warner & Co.

Peace and Better Business in 1952!

Higher Defense spending and tax easing, irrespective of possible Korean peace, foreseen by Research Institute.

No war with Russia, and a better year for business than 1951 are the key predictions for 1952, made by the Research Institute of America.

Although tautness will grow in Yugoslavia in the spring, this and other world tensions will not explode during the next 12 months, the Research Institute advises in its year-end report to members. At the same time, the Institute anticipates a continuing uptrend in business in 1952, with defense spending climbing regardless of a Korean truce or any new conciliatory measures by the Russians.

"There'll be a lot of economy talk in Washington . . . but little effective action," the Institute stated. "'Emergency appropriations' and other subterfuges will largely fill in whatever cuts Congress insists on making in particular programs. . . . Consumer buying will probably run about 4% over last year. Retail sales could easily jump 8 to 10% if price resistance declines, which is not unlikely."

Other predictions for 1952 made by the Research Institute:

Prices, overall, will be wiggling upward 3 to 5% through the year . . . but there will be no inflationary spurt.

The Defense Production Act will be extended by Congress.

The Capehart amendment will survive new attacks.

Decontrol is not in the cards for '52 . . . though Congress will make some token gestures in that direction.

Building will be below the 1951 average, but only slightly.

Wage costs will rise . . . and many industries won't be able to pass them on in higher prices.

Labor friction will run higher, even in companies with a long record of peaceful union relations.

The tax load will increase in '52 . . . *Local*, not Federal. The President will ask for new taxes but, in the absence of a shooting war and in an election year, Congress will give him little if anything. The excess profits tax will be eased.

If General Eisenhower (whose hat is now in the ring) gets the GOP nod, President Truman isn't likely to run: but he would probably stay in the race against Senator Taft. If Truman bows out, Senator Kefauver and Chief Justice Vinson are the leading Democratic contenders.

Continued from page 15

News About Banks and Bankers

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, CHICAGO, ILL.

	Dec. 31, '51	Oct. 10, '51
	$	$
Total resources	2,703,340,252	2,522,468,380
Deposits	2,480,279,725	2,302,642,385
Cash and due from banks	735,851,544	689,399,946
U. S. Govt. security holdgs.	1,179,389,354	1,097,126,088
Loans & discts.	623,963,025	571,707,233
Nndiv'd profits	31,149,560	27,439,266

* * *

NATIONAL BANK OF DETROIT, DETROIT, MICH.

	Dec. 31, '51	June 30, '51
	$	$
Total resources	1,554,837,578	1,590,053,809
Deposits	1,471,260,301	1,506,063,895
Cash and due from banks	387,038,331	410,738,406
U. S. Govt. security holdings	701,176,316	706,372,359
Loans & discts.	292,451,914	336,849,405
Undivided prof.	9,456,132	7,940,499

* * *

THE DETROIT BANK, DETROIT, MICH.

	Dec. 31, '51	June 30, '51
	$	$
Total resources	652,966,821	630,434,115
Deposits	621,074,280	599,060,529
Cash and due from banks	128,269,633	121,612,085
U. S. Govt. security holdings	278,762,584	288,381,487
Loans & discounts	93,332,071	82,609,467
Undivided profits	5,356,669	5,112,228

* * *

The Charleston National Bank of Charleston, W. Va., announces the death of its President, Daniel N. Mohler on Dec. 18.

* * *

A. W. Heidel, Vice-President of the **Powder River County Bank of Broadus, Mont.**, has been elected a director of the Helena branch of the **Federal Reserve Bank of Minneapolis.** Announcement of Mr. Meidel's election was made by Roger B. Shepard, Chairman of the board of directors of the Minneapolis bank. The new director replaces B. M. Harris, President of the Yellowstone Bank of Columbus, Mont., and will serve a two-year term beginning Jan. 1, 1952.

Mr. Heidel, a graduate of University of Minnesota Law School, is a former Assistant United States District Attorney and Assistant Attorney General and has been associated with the Powder River County bank since its establishment in 1919. He is a Past President of the Montana Bankers Association and has served on the Montana State Highway Commission.

The sale of new stock to the amount of $50,000 has increased the capital of the **Peoples National Bank of Miami Shores, Fla.**, from $200,000 to $250,000, the new capital having become effective November 27.

* * *

Consolidation of the **Stockgrowers State Bank of Lander, Wyoming** (capital $30,000), with the **First National Bank of Lander** (common stock $50,000) has been effected under date of Dec. 5, and under the charter and title of the latter. The initial capital of the enlarged First National will be $75,000 in 750 shares of $100 each. The initial surplus will also be $75,000 with initial profits of not less than $55,000.

* * *

The First National Bank of Eugene, Ore., was increased as of Nov. 26 from $500,000 to $1,000,000 as a result of a stock dividend of $500,000.

* * *

An addition of $300,000 was made on Dec. 7 to the capital of the **First National Bank of Anchorage, at Anchorage, Territory of Alaska**, increasing the capital from $200,000 to $500,000. Of the addition $200,000 was brought about by a stock dividend of that amount, while the sale of $100,000 of new stock accounted for the further enlargement to $500,000.

New Florida Branch For Stanley Heller

Stanley Heller & Co., members of the New York Stock and Curb Exchanges, announce that they will open a new branch office on Jan. 14, 1952, at the Sun and Surf Club, Palm Beach, Florida. This new office is in addition to the branch now established in the Palm Beach Biltmore Hotel.

Both Florida offices are connected by direct dual private wire to the main office in New York and offer full brokerage facilities for the convenience of visitors and clients in Palm Beach. The firm intends to expand further in the State of Florida.

Continued from page 7

The 1952 Stock Market— External and Internal Forces

break to the Nov. 24, 1951, lows. On the other hand, under a comparatively even tempo of news since late November the market recovery into December was essentially unemphatic and laborious. Such facts raise a serious question as to the market's internal strength—in the absence of adverse news.

Psychology as a Force

It might be appropriate to interject here a few words in defense of my classification of *psychology* as an *external* force. I am fully aware of the fact that *psychology* is rather generally referred to as an *internal* force. In this discussion, I do not accept that thesis. My references to *psychology* concern those processes of mental reasoning and impulse which take place *prior* to translation into the decision to enter an order (to buy or sell) and *before* that *action*. After an order is executed *psychology* has ceased to function—it has been translated into the mechanics of stock market transactions *internally*. The effect was *internal* and the *result* of *psychological* forces *preceding* the decision to act. Since the psychological forces, discussed herein, function entirely *before* the decision and the action they must be classified as an *external* force—and essentially *potential* in respect to their effect upon the stock market. They should, I believe, be evaluated in their *potentialities* because they can be translated into "mass action" in either direction without forewarning—in the case of a sufficiently potent stimulation.

It is necessary today to consider that domestic economics, politics and world affairs have become pretty thoroughly "scrambled"—that Willkie's "One World" dream has actually materialized. Seriously important, however, is the realization that his "theory" has run head on into the age-old truism that: "The East is East; the West is West; and never the twain shall meet." The latter part can well be construed to mean "never the twain shall *agree*." Outguessed in international affairs, we find ourselves knee deep in the threat of World War III. Outmaneuvered in economics, we are pouring out our national "substance" into the cesspools of Europe and the Far East and being pushed vigorously along the road to Socialism, confiscation of capital by taxation, destruction of private enterprise and toward national bankruptcy. The time has passed when the man on "Main Street" is unconcerned about such things; he is becoming very cognizant of the facts and their seriousness to him as an individual. And the important point to acknowledge, in this discussion, is that these trends of affairs contribute to the *psychological* forces which will eventually burst forth into various forms of expression—most of which, sooner or later, get translated into action in the stock market. Logic, common sense and simple arithmetic suggest that those eventual expressions of these psychological forces will *not* be favorable or friendly to stock prices and if that conclusion is correct the only uncertain elements are: (1) the timing of "mass action" and (2) the severity of it.

The foregoing comments will probably not be greeted with complete acceptance and agreement by readers. They are a part of the topics which will be widely discussed in the usual year-end flood of divergent concepts and predictions for 1952—with radically contrary views as to the market's status and the direction of prices for 1952.

Internal Considerations

In the closing month of 1951, the plotted pattern of stock prices was at about a "dead center" or at a "blind spot"—with no clearly evidenced definement of the market's intention to: (1) resume an upward trek into new high territory or (2) reverse its main direction downward into lower regions than those recorded in the break to Nov. 24, 1951. That laborious and indecisive year-end recovery—in the face of a comparatively even tempo in the news—leaves a very pertinent question to be answered: how will it stand up under a piece of really drastic adverse news?

If one is still sure that the market will attain new heights, he should possess tenable calculations that the market's previous highs have *not* already evaluated the peak of industrial stimulation from the defense program—*as far as corporate net earnings are concerned*. Otherwise there is logic in a conclusion that the major stimulation to support higher prices is *behind us* and—by the some token—that the market is vulnerable to any severe shock of potently adverse news.

At this year-end "blind spot," technical discernments — under Dow's theory—put emphasis on the fact that the Rail Index has persisted for 11 months in its own Bearish pattern and that the Senior Index gave indications of becoming "infected" by the negative action of the Junior Index into the eleventh month.

Some observers place particular stress on a point of *internal* market discernment—and have ample historical evidences to support their views. That point is the sequence of events *within* the market with respect to the trends in: (1) bonds; (2) preferred stocks, and (3) common stocks. It can be noted that good grade bonds turned down some months ago; that preferred stocks have been in a downtrend as to prices. That combination is traditionally an adverse omen for the eventual trend in common stock prices—with usually some considerable time "lag."

As one views the broad pattern of any of the Averages over the last 30 years, he is bound to derive a wholesome respect for the fair degree of precision with which the Major Trend has potted its oscillations in the form of "mountains" and "valleys." As he supplements that panorama with a view of the two-and-a-half-year upward trek from mid-1949 into new high altitudes for 21 years, he gains a distinct impression of "maturity" in the scope of that 1949-1951 rise. From a study of the plottings of the dual Dow-Jones Averages since the Rail Average high of 90.08 in February, 1951, and the Industrial Average high of 276.37 in September, 1951, he gains a further impression of "maturity" in the 30-month rise.

I believe some such a "review" as above outlined is conducive to a better "balance" in one's perspective; injects perhaps a more realistic view of the situation; perhaps a better sense of judgment—a very good antidote for "impulsive action" which is so apt to result from adhering blindly to an "ever higher" concept of a "one-way street."

The recovery after the break to the lows of Nov. 24, 1951, encountered rather rugged "supply areas"—somewhat pronounced in some of the "big name" and "good name" issues previously exploited while a few individual issues engaged in spasms of unsustained price "display." Those *internal* symptoms in the price scenery are strongly suggestive of *distribution*—a scenery in which *distribution* is the "main show" while favorable price displays in numerous individual issues constitute a "side show" tending to divert attention from and obscure the "main show."

From an intimate analysis of the "mechanics" in the late 1951 plottings of the Dow-Jones Averages, one can note that the decline ended at Nov. 24 was of sufficient degree and scope to fully conform with the requirements of a *secondary* movement. If that decline was nothing *more* than a normal secondary correction, then a conclusion is tenable that it is incumbent upon the market to *prove* its ability to rise to *new* heights—and upon the D-J Averages to emphatically and jointly surmount Ind. 276.37 and Rail 90.08 *before* a contrary movement eventuates to the extent that Ind. 255.95 and Rail 77.91 should be jointly penetrated downward.

The relatively modest distance from the December recovery highs to the previous 1951 highs (above noted) would seem to be not a difficult problem *if* the Major Trend is still upward. On the contrary, however, should the Averages give convincing evidences of an *inability* to negotiate that modest attainment, we would witness an added "symptom" that the Major Trend has already turned down. Carrying that possibility further to the extent that *both* indicators should jointly and emphatically penetrate below Ind. 255.95 and Rail 77.91—with accelerated volume—we would have to then conclude, under Dow's precepts, a valid Bear market signal to have been thereby plotted. A further point of anticipatory calculation, under Dow's precepts, would be: surmounting of 276.37 by the Senior Index *without* corresponding action on the part of the Junior Index would be "inconclusive" and would constitute just about as much of a "warning" as would be the case if *neither* index were able to negotiate a new high. . . . Either of the above two possibilities in a January rally would constitute an appropriate time for the *sale* of well exploited issues to which I have frequently referred throughout these comments—definitely *not* a time to extend one's commitments.

A third possibility is of course that both Indicators do succeed in negotiating new highs. Even in that event, I would calculate, in view of the attained scope of the 1949-1951 rise, that appropriate action would be to *sell*—not a time for venturesomeness in new commitments.

Conclusions

It seems to me that the reader should conclude from the foregoing—by inference at least—that my convictions favor a concept that the 1949-1951 Bull market has acquired full *maturity* and that the Major Trend is negotiating a change of direction.

Much as we may dislike to envisage a Bear market, history has established the inevitable "swing of the pendulum"—that Bear markets follow the Bull phases as night follows day—whether we like it or not. To disdain to recognize *maturity* in an extended Bull market will in no way serve to prevent or deter an ensuing Bear market. The Major Trend of the stock market is a thing of tremendous power which renders very puny our own personal wishes and is unconcerned about our personal wishful thinking.

Bankers Offer Kaiser Aluminum & Chemical Preferred Stock

Plans to finance the expansion of output by one of the country's three producers of primary aluminum were completed on Jan. 9 with the marketing of 375,000 shares of Kaiser Aluminum & Chemical Co. 5% preferred stock, $50 par. The First Boston Corp and Dean Witter & Co. head an investment group which offered the new issue at $50 a share, plus accrued dividends. The offering was quickly oversubscribed and the books closed.

The new preferred is convertible into common stock through Dec. 31, 1961, at the rate of 1.25 shares of common for each share of preferred. It is redeemable at company option initially at $52 per share; in addition, a sinking fund commencing in 1962 provides for the retirement annually of 3% of the number of shares outstanding at Dec. 31, 1961.

Under the first part of the expansion, to be completed by late 1952, $89,350,000 is being spent on building the new Chalmette 100,000-ton reduction plant near New Orleans, on increasing production of raw bauxite in Jamaica, and on converting the Baton Rouge alumina plant to process this bauxite ore. The second part of the program calls for the expenditure of $100,000,000 to increase output of bauxite, alumina and primary aluminum at the above locations, chiefly by installing a second 100,000-ton reduction plant at Chalmette and by expanding the annual capacity of the Baton Rouge alumina plant from 550,000 to 800,000 tons.

The second part of the expansion program will be financed by the sale of the new preferred, by a private placement of $29,000,000 of first mortgage bonds, and by a $93,500,000 bank loan agreement of which $40,000,000 will be used to repay outstanding bank borrowings. Each step is conditional on the other two.

Proceeds will help finance the second part of a major expansion program which in the aggregate will more than double the company's present annual capacity of 175,000 tons of primary aluminum. The United States Government has contracted for first call on the primary aluminum produced from these new facilities and has agreed to purchase all such aluminum not fabricated or disposed of by the company.

The company has declared quarterly cash dividends since the public sale of common stock in June, 1948. The last common dividend was 32½ cents per share, payable Nov. 30, 1951.

For the year ended May 31, 1951, the company reported total sales from aluminum and chemical products of $123,136,384 and net income of $15,798,319.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Jonathan A. Seamen has been added to the staff of Bache & Co., 135 South La Salle Street.

New York Dealer Forms Mutual Fund

By CARTER BURKE

Tellier & Company, over-the-counter securities dealers will be managing and distributing their own common stock fund, Small Investors Mutual Fund, as soon as a registration statement filed with the Securities & Exchange Commission becomes effective. Walter F. Tellier, partner of Tellier & Company, said Small Investors would be the first open-end fund which would have a member of the New York Stock Exchange as custodian and trustee.

Penington, Colket & Co. will act as custodian and trustee without fee in exchange, it is reported, for the listed trading of the fund.

Mr. Tellier stated that another innovation of the new fund would be a plan in which the shareholder, after accumulating 10,000 shares, could present them to the trustee and receive in exchange a cross-section of both stocks and cash in the existing portfolio. These holdings, it is understood, could form the basis of an investor's trading account, if he wished.

Initial offering of the fund will be 2,000,000 shares with an initial price of $2.15 per share. Capitalization is 100,000,000 shares.

The sales charge will be 7½% of asset value, with 6% of this to dealers. Management fee will be ½ of 1% a year.

Tellier & Company, national distributors of the new fund, will continue to retail other mutual funds.

Officers of the fund are: President and directors—Walter F. Tellier, partner, Tellier & Co.; Vice-President and director, Martin T. Brosnan, partner, Tellier & Co.; director, George F. Ryan, President of Mohawk Business Machines; director, William Post, oil broker and formerly with Sinclair and Cities Service; director, Frank Meehan, Meehan & Poole; Secretary and Treasurer, Max Sandler.

The fund's initial portfolio, prepared by Penington, Colket & Co., will include these stocks—Air Reduction, Allied Chemical & Dye, American Smelting, American Telephone & Telegraph, American Tobacco, Anaconda Copper, Atlantic Refining, Bethlehem Steel, Borg-Warner, Canadian Pacific, Chrysler, Cities Service, Corn Products, Diamond Match, Dow-Chemical, du Pont, Eastman Kodak, General Electric, General Motors, Goodyear Tire and Rubber, Hudson Bay, International Harvester, International Paper, Kennecott Copper, Koppers Co., National Steel, Pennsylvania Railroad, Radio Corp., Sinclair, Standard Oil of New Jersey, Texas Company, Union Carbide, Union Pacific, United Airlines, United Fruit, U. S. Gypsum, U. S. Steel, Westinghouse, Wheeling Steel.

Mutual Funds

By ROBERT R. RICH

BLUE RIDGE Mutual Fund on Tuesday commenced the offering of its shares to the public through security dealers and brokers. The Fund is an open-end investment company of the management type, headed by George A. Sloan, President. Mr. Sloan is also a director of Goodyear Tire and Rubber Co., Great American Insurance Co., Middle South Utilities, Inc. and United States Steel Corporation.

The Fund's investments will be managed by its Board of Directors and executive staff who will draw on the facilities of Research-Distributing Corporation for investment advice. Research-Distributing Corporation, a wholly-owned subsidiary of Reynolds & Co., members of the New York Stock Exchange, New York Curb Exchange, and other principal exchanges, will also serve as distributors for Blue Ridge Mutual Fund shares.

SALES OF National Securities Series for the year 1951 were reported at over $26,405,000 — the highest year in the history of the company—according to figures released by Henry J. Simonson, Jr., President of National Securities & Research Corporation, New York.

Sales of National Stock Series were the largest of any of the funds under "National's" management, and accounted for over half of total sales in 1951. Mr. Simonson attributed the popularity of Stock Series to the continuing emphasis of a large number of investors on current income, since this fund is managed with better-than-average current return as the objective.

Total assets under "National" management were reported at $88,413,000 at the 1951 year-end. The largest single fund in the group is National Stock Series with net assets at nearly $32,000,000 as of Dec. 31, 1951 — up over 45% from the figure of a year earlier. National Income Series continues to be the second largest fund with assets of over $2,700,000 as of the 1951 year-end.

A MARKED INCREASE in conservative sentiment on the part of investors in the ten Keystone Custodian Funds during 1951 shows up in a comparison between the Dec. 31, 1951 figures of almost 48,000 investors' holdings of more than $200,000,000 in various Funds and those of a year earlier, which was made public today.

The Keystone organization supervises four grades or classes of Bond Funds, two of Preferred Stock Funds, and four of Common Stock Funds. These ten Funds are the basic tools with which many investment men manage their clients' investment accounts. Thus any major shift of holdings from one class of Funds to another may be considered as indicative of a trend, since each Fund seeks to attain a specific purpose and involves a difference in degree of risk.

The conservative trend is proved largely by important increases in the holdings of Keystone's first two classes of Bond Funds, Investment Bond Fund "B-1" and Medium-grade Bond Fund "B-2."

The number of "B-1" shares outstanding at the 1951 year-end was 63% higher than at the 1950 year-end, the number of "B-2" shares outstanding was 30% higher—and the assets invested in the two Funds amounted to $40,456,000—over 19% of the total invested in all Keystone Funds, compared with 13% a year earlier.

In the same period Keystone investors sharply reduced their holdings in the Speculative Preferred ("K-2") and Common Stock ("S-3" and "S-4") Funds. These three Funds accounted for only 5.4% of total assets at the end of 1951 versus 17.9% at the end of 1950, and in each case the reduction in the number of shares outstanding was over 40%.

While a large number of shareholders reinvested the proceeds from sale of their more speculative shares in other Keystone Funds, there were some who apparently preferred to hold cash and wait for a lower price level. This is thought to account largely for the slight 5% reduction in total assets under Keystone's supervision in the 12 months ended Dec. 31, 1951—from $224,594,800 to $212,872,400. There was no sig-

Continued on page 37

Random Shots

The Year 1951

The United States in 1951 has accomplished the stupendous feat of supplying goods and services valued at $14 billion for defense; providing $23 billion in new plant and equipment for industrial growth and improvement; carrying out a new construction program, exclusive of industrial plant of $22 to $23 billion; and at the same time meeting everyday needs for civilian goods so abundantly that producers of these goods in most cases have not been able to sell as much as they could turn out. Many are on short-time operations, by reason of satiated markets as well as shortages of materials.

Monthly Letter of The National City Bank of New York

Blunders

The people everywhere have done reasonably well. The progress of the world attests the fact. But the leaders of one kind and another — kings, presidents, cabinet ministers, governors, legislators, county commissioners, mayors, councilmen, school directors, township trustees — have blundered inexcusably.

E. W. Howe quoted in Popular Economics

The MUTUAL FUND RETAILER

By BENTON G. CARR

If you will spend a few minutes with this column each week during the next month or so, you will learn certain "rules of the thumb" about direct mail that should materially increase the results you get from "penny salesmen"—the sales letter.

Direct mail, as you know, is a method of selling in which you, by a mailing piece sent to a prospect, "make a proposition" as it was expressed by Anshell Gould of Albert Frank-Guenther Law in his now famous talk entitled "What's Your Proposition," which he made before a New York Advertising club.

In this "proposition," you ask the prospect to do something—send for a free circular on mutual funds, indicate the time a salesman can call, or the like.

And herein, for you, lies the secret. Over the years, at great expense, direct mail professionals have evolved certain fundamentals, certain rules, and certain tests which, if you follow them, will increase your mail results and save you money and if you ignore them will result only in failures for your mail prospecting and follow-ups.

Direct mail, as you probably realize, is big business, with orders running into billions of dollars every year—and, in the business of direct mail as in other businesses—there are the experts — the men who have spent a lifetime studying the phychology and techniques of selling through the mail.

And from talking with these men—and a guest column or two elsewhere on this page—we are going to give you the priceless benefits of their experience.

Next week we'll start. But, in the meantime, here's something you can do. Start saving direct-mail letters you receive from book publishers, magazines, newspapers, mail order houses. With a little study you can learn a great deal from them as we go along.

(Continued from page 36)

Mutual Funds

nificant change either in dollar assets or the number of shares outstanding in funds invested primarily for investment income.

Division of Keystone Holdings—December 31, 1951

		Net Assets	% Change from 12/31/50	No. of Shares	% Change from 12/31/50
B-1	Investment bonds	$18,569,000	+56.5	709,985	+63.7
B-2	Medium-grade bonds	21,887,400	+21.9	913,342	+30.4
B-3	Low-priced bonds	40,178,200	— 2.5	2,238,690	+ 2.9
B-4	Discount bonds	35,529,500	+ 0.7	3,218,971	+ 7.1
K-1	Income preferred stocks	36,264,400	—10.8	2,162,810	— 5.9
K-2	Speculative preferred stocks	5,620,800	—41.3	208,789	—42.8
S-1	High-grade common stocks	4,230,200	+12.3	123,330	+ 3.5
S-2	Income common stocks	33,770,500	+ 0.5	1,891,761	— 6.2
S-3	Speculative common stocks	7,154,500	—51.9	408,546	—55.3
S-4	Lower-priced common stocks	9,667,900	—38.8	1,440,053	—40.4
	TOTAL	$212,872,400	— 5.2	13,316,267	

DIVIDEND SHARES, with assets of over $100 million, is one of the dozen largest investment companies among the several hundred in existence in the world, Hugh Bullock, President, told stockholders at the 20th annual meeting held in Baltimore yesterday.

Net assets at Dec. 31, 1951 equalled $101,895,268 against $89,593,745 a year ago; shares outstanding totaled 54,813,934 against 51,253,954 and the number of shareholders was over 54,000 compared to approximately 50,000 in 1950, Mr. Bullock said. More than three-quarters of the outstanding shares were represented at the meeting.

Dividends paid in the last fiscal year from investment income were 12% greater than the previous year's payment, which represented a return, based on the average offering price of the company's shares for the calendar year of 4.58%, Mr. Bullock said.

"Every year since 1934," the President said, "stockholders have received payments from net securities profits, and at this year-end the market value of your company's investments was more than $25 million greater than their cost. Every stock in your company's year-end portfolio is paying dividends."

Mr. Bullock continued: "The confused picture of the year 1952 is enough to make the average investor conscious that he needs professional guidance. There is a hope — a probability — of no world war. But alarums and excursions are logical to expect; and the Korean war is not yet settled. To be utterly realistic, the very best we can hope for in 1952 is an uneasy peace. The best guarantee of that peace will be the growing military strength of the United States and the Free World. Our rearmament program, therefore, is bound to continue. And such a program underwrites business activity.

"However, costs of doing business have mounted sharply and corporate (as well as individual) taxes are a serious burden. Corporate net profits this year may well be less than in 1951. Dividends should be no greater—possibly less. The prices of common stocks therefore should logically be determined by the pull of these probable factors against the upward pull of renewed inflationary manifestations. Under any conditions, however, in managing an investment portfolio, intelligent selection of industries and companies within those industries is of paramount importance."

EATON & HOWARD Stock Fund on Dec. 31, 1951 reported net assets of $12,571,502 compared with $6,826,865 a year ago, and an offering price of $24.32 compared with $21.67. The fund's largest common stock holdings by industries are power and light, oil, rayon and textile, insurance, chemical, banking, building, natural gas, aviation and electrical products. Portfolio was 86.9% common stocks, 2.3% convertible preferred stocks, and 10.8% cash and U. S. governments.

EATON & HOWARD Balanced Fund reported a net gain in total assets of over $14 million for the year 1951. Net assets on Dec. 31, 1951 were $77,714,212 compared with $62,923,792 on Dec. 31, 1950. Asset value per share increased from $31.15 to $32.97 for the same period. Of the fund's portfolio, 62% was in common stocks, 17.6% in preferred stocks, 14.2% in corporate bonds and 6.2% in short term notes, cash and U. S. governments.

THE JOHNSTON Mutual Fund reports net assets of $1,331,568.85 as of Dec. 31, 1951, a 51% increase over net assets of $879,234.52 on Dec. 31, 1950.

The net asset value of the Fund's shares on Dec. 31, 1951 was $30.81 per share, compared to $28.16 per share a year earlier.

During 1951 the Fund paid dividends totaling $2.05 per share, including $1.30 from net investment income and 75 cents from realized capital gains.

At the year-end, the portfolio of the Fund shows 67.3% in common stocks, 19% in cash and U. S. Government securities, and 13.7% in preferred stocks.

Growth Companies reported gross sales of $841,690 or 68,614 shares for 1951, its first full calendar year of operation. The fund began business on Aug. 1, 1950, with total net assets—all in cash—of $256,500 equal to $9 a share on the 28,500 shares then outstanding.

Net sales in 1951 amounted to $737,655 after redemptions of 11,177 shares at a cost of $104,035. The dollar ratio of redemptions to sales for the year was 12.3%.

During the year, approximately 2,000 shares were issued to shareholders who elected to take dividends or cash distributions or both in stock instead of cash.

Growth Companies closed the year with total net assets of $1,192,458 equal to $11.25 a share on the 106,122 shares then outstanding. This compares with total net assets of $483,991 on Dec. 31, 1950, equal to $10.33 a share on the 46,885 shares outstanding on that date.

Mutual Fund Notes

Putnam Fund of Boston has announced the opening of a New York office at 1 Wall Street, which will be under the management of George Kranz.

Mr. Kranz, who has been elected vice-president of Putnam Fund Distributors, Inc., will be in charge of sales activities for the fund in New York and the Middle Atlantic States. Before taking his new position, Mr. Kranz was in charge of the mutual fund department of Cohu & Co.

Generous dividend payments to shareholders featured the Group Securities fiscal year ended Nov. 30, reports President Herbert R. Anderson to shareholders.

On all but one of the Funds and Classes which invest wholly or partially in common stocks the 1951 dividends from net investment income were higher than in the preceding year. Increases ranged as high as 77% over the 1950 rates; in seven cases they exceeded 33⅓%.

Shareholders are reminded by Mr. Anderson that income is only one of the factors that should govern the selection of an investment. For each investor the "best" mutual fund is the one that combines favorable income, price action, and degree of exposure to risk in the way that best fits his particular requirements.

Total assets exceeded $60,000,000. An increasing trend was noted in the reinvestment into one or more of the more conservative Funds of profits realized by shareholders by redemption of the more volatile industry classes.

Continued from page 2

The Security I Like Best

one of the most economical, low-cost producers in the business.

Earnings and dividends have been steadily good, though there may be some who would have wished for a more liberal dividend policy in the past (see table below). Obviously a good portion of earnings have been plowed back (e.g. over two-thirds of the Tennessee $26 million plant was financed out of earnings and the balance by a serial loan of $8,000,000 in 1948, since reduced to $3,125,000 (12/31/51). Yet the latest dividend of 40c reg. and 40c extra, or a total of $1.80 for 1951, may indicate a change for larger payments in the future. Also significant along these lines are the reasons given by the company (at the time of the stock split) that the action was taken to bring the stock within the buying range of of a larger number of potential stockholders, thus creating a broader and more stable market.

Briefly, yet it tells the story, working capital ratio in 1950 was 4.16:1, 2.34:1 in 1949. Cash alone in 1950 ($8.8 million) covered total current liabilities of $4.4 million, and in 1949 cash was $7.1 million vs. total current liabilities of $6.4 million. An enviable report, to my way of thinking, and clear evidence of a healthy financial condition.

Employee relations during 1950 were satisfactory at the Enka plant and a two-year union agreement was concluded in May. In October, the company voluntarily increased wages at both the Enka and Lowland plants "to keep pace with changing economic conditions." At the Lowland plant (newly completed), however, there was a strike which officially lasted until Aug. 18, 1950. But a back-to-work movement started on May 22 and employee relations have been satisfactory since that time—without a union. In 1951 the company was given the Annual Award of the American Public Relations Association based on excellence of labor relations.

American Enka Corporation (the record proves) deserves the investment title: Quality. Top-drawer management through the years has guided this company into the upper strata of the rayon industry. This all-important asset—management—alone should assure the investor (as it does this writer) of a long succession of profitable years. Man-made fibers eventually may, in many still untapped fields, largely replace natural fibers—as it has in tires, 3:1 vs. cotton. It is difficult to forecast, but not so difficult to predict that American Enka will continue to steer a conservative, yet aggressive and prosperous course through this promising future.

Earnings and Dividends (adjusted for 3:1)

	Earn per Sh.	Div. per Sh.
1951	*3.69	1.80
1950	6.23	1.67
1949	5.34	1.17
1948	7.18	1.17
1947	5.42	1.17
1946	3.95	1.17
1945	.92	1.17
1944	1.32	1.17
1943	1.52	1.17
1942	1.69	1.17
1941	1.59	1.50

*36 weeks.

Continued from page 14

How International Can You Get?

hook. What we obviously need is an overall program with expanded productivity, and ultimate repayment of our bounties, by recipient nations, as a goal.

If I've painted, for the most part, a gloomy picture of interminable ecumenical donations, I ought at least to wind up on an optimistic note. There are some areas where American investment, in the main of a private capital nature, are flourishing, flowering and returning wonderful dividends. Canada in the past three years has absorbed several billion United States dollars. Working like picture book capitalism, these dollars earn plush returns and expand the transportation industry, the iron, steel, aluminum and chemical manufactories, and the amazing mineral extractions of the Dominion. The Canadian dollar is now almost at parity with our own and Maple Leaf equities like Canadian Pacific, Imperial Oil, Aluminum Co. of Canada, Consolidated Mining and Hollingers are now among the most worthy shares on this continent.

Our enterprise dollar has also prospered in Brazil where we now ride an investment of $600 million; in Venezuela, where through a variety of political regimes, oil companies like Creole, and more recently steel companies, are deriving the raw materials of their industries in vast volume, and with excellent profit. We could go on to talk of the copper and nitrate production we own in Chile, the lead, oil and sulphur of Mexico, the Central American empire of United Fruit (excusing the current red blight in Guatemala), the new plants of our motor truck manufacturing and chemical enterprises springing up all over South America. Yes, private enterprise on the march like this is the most dynamic and impressive economic phenomenon in the world today, beggaring the paltry progress in production, and the measly personal incentives, of Socialist States.

Isolationism is indeed dead for us. We must be internationalists today, first to defend ourselves at strategic world points against Muscovite malice, and secondly, to help deserving but more primitive economies to get on their feet so that they too may stifle Communism; and in due course become good suppliers of raw materials, good customers for our goods, and, finally, attractive areas for our long-term private capital investment.

For 1952, our export trade looks like $13 billion, and our imports, maybe, $15 billion. That's big, it's important—it's international. And as we veer this year (as we have for the past twenty) from urgency to emergency and back to urgency again, if someone asks "How international can you get?" just tell him to tune in the nearest radio, and follow one of its sound waves around the globe!

Next week—no, not East Lynn, but West Canada!

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich.—Ross Vaughn has been added to the staff of King Merritt & Co., Inc., 53½ West Huron Street.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Florence B. Heywood has been added to the staff of Waddell & Reed, Inc.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

In the last few days of the past week the market perked up a bit and with it public confidence. As this is being written, however, prices are beginning to soften, though I don't attribute any importance to either occurrence.

* * *

If you're trading for quick profits, you are in for a disappointment. I don't think losses in the immediate future will be very great, depending of course on what you have. But on the other hand I don't believe profits will be substantial enough either. What it boils down to is a dull market, featuring occasional outbursts on both sides.

* * *

There's little doubt that the current boom is fed by defense orders. Which brings us again to the realization that if such spending is stopped we will be in a fine mess.

* * *

Starting this week you'll begin reading about Congress and what it is doing or plans to do. Outside of chest thumping speeches about cleaning up corruption in Government, I don't think much will happen. The boys who fill comfortable seats in Congress are too worried about mending political fences back home to do anything to spoil their chances for reelection.

* * *

President Truman's "State of the Union" message is another matter that will keep boardroom occupants on the edge of their seats. If you figure that Truman will ask for a lot of money, suggest certain higher taxes and take sideswipes at the opposition, you'll probably be right. Whatever recommendations he'll make, Congress will probably shunt aside for the time being.

* * *

That brings us down to the business and industrial picture, which after all is the firm basis on which stocks act or react. While defense orders are keeping the balloon up, consumer buying is pulling it down. Grosses are up in many industries (as they are in many households). But net is a lot lower. Spiralling prices plus bigger tax bites account for much of this disparity.

* * *

The question is what will happen to the market in all this confusion. Like all such problems the question is a lot easier than the answer. Fundamentally, what happens to the market should be of secondary importance. What happens to your stocks is the primary factor.

* * *

First of all, I don't think this is the time to start new buying except in the amusement stocks, and even there you'll probably be able to buy them cheaper. Whether to hold on to what you have or not also depends on what you have and where you bought it. If you came in the past few weeks and already have a loss, better start looking for exits. If you have sizable profits or the yield is attractive then stay with them.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Security Analysts of San Francisco Members

SAN FRANCISCO, Calif.—Richard W. Lambourne, President of the Security Analysts of San Francisco, announced the election of the following new members to the organization:

Regular Membership — H. J. Ahlf, The Hibernia Bank; Edward P. Browne, Blyth & Co., Inc.; Alger J. Jacobs, The Anglo California National Bank; Edward F. Kirchen, Crocker First National Bank; M. L. O'Dea, The Hibernia Bank; Jacob Gould Schurman III, Schwabacher & Co.

Associate Membership—J. Wendell Coombs, Transamerica Corporation; Herbert E. Dougall, Stanford Graduate School of Business; B. Frank Lynip, Jr., California and Hawaiian Sugar Refining Corporation, Ltd.

Continued from first page

Truman Warns of Grave Peril of War

licans and Democrats alike—all of us are Americans; and we are all going to sink or swim together.

Moving Through a Perilous Time

We are moving through a perilous time. Faced with a terrible threat of aggression, our nation has embarked upon a great effort to help establish the kind of world in which peace shall be secure. Peace is our goal—not peace at any price, but a peace based on freedom and justice. We are now in the midst of our effort to reach that goal. On the whole, we have been doing very well.

Last year, 1951, was a year in which we threw back aggression, added greatly to our military strength, and improved the chances for peace and freedom in many parts of the world.

This year, 1952, is a crucial year in the defense effort of the whole free world. If we falter, we can lose all the gains that we have made. If we drive ahead, with courage and vigor and determination, we can by the end of 1952 be in a position of much greater security. The way will be dangerous for years ahead, but if we put forth our best efforts this year—and next year—we can be over the hump in our effort to build strong defenses.

When we look at the record of the last year, 1951, we find important things on both the credit and the debit side of the ledger. We have made great advances. At the same time, we have run into new problems which must be overcome.

Let us look at the credit side first.

Peace depends upon the free nations' sticking together, and making a combined effort to check aggression and prevent war. In this respect, 1951 was a year of great achievement.

In Korea, the forces of the United Nations turned back the Chinese Communist invasion—and did it without widening the area of conflict. The action of the United Nations in Korea has been a powerful deterrent to a third world war. However, the situation in Korea remains very hazardous. The outcome of the armistice negotiations is still uncertain.

In Indo-China and Malaya, our aid has helped our Allies to hold back the Communist advance, although there are signs of further trouble in that area.

In 1951, we strengthened the chances of peace in the Pacific region by the treaties with Japan and by defense arrangements with Australia, New Zealand and the Philippines.

In Europe, combined defense has become a reality. The free nations have created a real fighting force. This force is not yet as strong as it needs to be; but it is already a real obstacle to any attempt by hostile forces to sweep across Europe to the Atlantic.

In 1951, we also moved to strengthen the security of Europe by the agreement to bring Greece and Turkey into the North Atlantic Treaty.

U. N. Stronger and More Useful

The United Nations, the world's great hope for peace, has gone through a year of trial stronger and more useful than ever. The free nations have stood together in blocking Communist attempts to tear up the charter.

At the present session of the United Nations, in Paris, we, together with the British and the French, offered a plan to reduce and control all armaments under a fool-proof inspection system. This is a concrete, practical proposal for disarmament.

But what happened? Vishinsky laughed at it. Listen to what he said: "I could hardly sleep at all last night . . . I could not sleep because I kept laughing." The world will be a long time forgetting the spectacle of that fellow laughing at disarmament.

Disarmament is not a joke. Vishinsky's laughter met with shock and anger from people all over the world. And, as a result, Mr. Stalin's representative received orders to stop laughing and start talking.

If the Soviet leaders were to accept this proposal, it would lighten the burden of armaments, and permit the resources of the earth to be devoted to the good of mankind. But until the Soviet Union accepts a sound disarmament proposal, and joins in peaceful settlements, we have no choice except to build up our defenses.

During this past year, we added more than a million men and women to our armed forces. The total is now nearly three and one-half million. We have made rapid progress in the field of atomic weapons. We have turned out 16 billion dollars worth of military supplies and equipment, three times as much as the year before.

Good Economic Conditions in Nation

Economic conditions in the country are good. There are 61 million people on the job; wages, farm incomes and business profits are at high levels. Total production of goods and services in our country has increased 8% over the last year—about twice the normal rate of growth.

Perhaps the most amazing thing about our economic progress is the way we are increasing our basic capacity to produce. For example, we are now in the second year of a three-year program which will double our output of aluminum, increase our electric power supply by 40%, and increase our steel-making capacity by 15%. We can then produce 120 million tons of steel a year, as much as the rest of the world put together.

This expansion will mean more jobs and higher standards of living for all of us in the years ahead. At the present time, it means greater strength for us and for the rest of the free world in the fight for peace.

Now I must turn to the debit side of the ledger for the last year.

The outstanding fact to note on the debit side of the ledger is that the Soviet Union, in 1951, continued to expand its military production and increase its already excessive military power.

It is true that the Soviets have run into increasing difficulties. Their hostile policies have awakened stern resistance among free men throughout the world. And behind the Iron Curtain, the Soviet rule of force has created growing political and economic stresses in the satellite nations.

Nevertheless, the grim fact remains that the Soviet Union is increasing its armed might. It is still producing more war planes than the free nations. It has set off two more atomic explosions. The world still walks in the shadow of another world war.

And here at home our defense preparations are far from complete.

During 1951 we did not make adequate progress in building up civil defense against atomic attack. This is a major weakness in our plans for peace, since inadequate civilian defense is an open invitation to surprise attack. Failure to provide adequate civilian defense has the same effect as adding to the enemy's supply of atom bombs.

In the field of defense production we have run into difficulties and delays in designing and producing the latest types of airplanes and tanks. Some machine tools and metals are still in extremely short supply.

In other free countries the defense buildup has created severe economic problems. It has increased inflation in Europe and has endangered the continued recovery of our Allies.

In the Middle East political tensions and the oil controversy in Iran are keeping the region in a turmoil. In the Far East the dark threat of Communist imperialism still hangs over many nations.

This, very briefly, is the good side and the bad side of the picture.

Progress Made Toward Peace

Taking the good and the bad together, we have made real progress this last year along the road to peace. We have increased the power and unity of the free world. And while we were doing this, we have avoided world war on the one hand, and appeasement on the other. This is a hard road to follow, but the events of the last year show that it is the right road to peace.

We cannot expect to complete the job overnight. The free nations may have to maintain for years the larger military forces needed to deter aggression. We must build steadily, over a period of years, toward political solidarity and economic progress among the free countries in all parts of the world.

Our task will not be easy; but if we go at it with a will, we can look forward to steady progress. On our side are all the great resources of freedom—the ideals of religion and democracy, the aspiration of people for a better life, and the industrial and technical power of a free civilization.

These advantages outweigh anything the slave world can produce. The only thing that can defeat us is our own state of mind. We can lose if we falter.

The middle period of a great national effort like this is a very difficult time. The way seems long and hard. The goal seems far distant. Some people get discouraged. That is only natural.

A Real War Threat Exists

But if there are any among us who think we ought to ease up in the fight for peace, I want to remind them of three things—just three things.

First: The threat of world war is still very real. We had one Pearl Harbor—let's not get caught off guard again. If you don't think the threat of Communist armies is real, talk to some of our men back from Korea.

Second: If the United States had to try to stand alone against a Soviet-dominated world, it would destroy the life we know and the ideals we hold dear. Our Allies are essential to us, just as we are essential to them. The more shoulders there are to bear the burden the lighter it will be.

Third: The things we believe in most deeply are under relentless attack. We have the great responsibility of saving the basic moral and spiritual values of our civilization. We have started out well—with a program for peace that is unparalleled in history. If we believe in ourselves and the faith we profess, we will stick to the job.

This is a time for courage, not grumbling and mumbling.

Now, let us take a look at the things we have to do.

The thing that is uppermost in the minds of all of us is the situation in Korea. We must—and we will—keep up the fight there until we get the kind of armistice that will put an end to the aggression and protect the safety of our forces and the security of the Republic of Korea. Beyond that, we shall continue to work for a set-

tlement in Korea that upholds the principles of the United States. We went into Korea because we knew that Communist aggression had to be met firmly if freedom was to be preserved in the world. We went into the fight to save the Republic of Korea, a free country, established under the United Nations. These are our aims. We will not give up until we attain them.

Meanwhile, we must continue to strengthen the forces of freedom throughout the world.

I hope the Senate will take early and favorable action on the Japanese peace treaty, on our security pacts with Pacific countries, and on the agreement to bring Greece and Turkey into the North Atlantic Treaty.

We are also negotiating an agreement with the German Federal Republic under which it can play an honorable and equal part among nations and take its place in the defense of Western Europe.

But treaties and plans are only the skeleton of our defense structure. The sinew and muscle of defense forces and equipment must be provided.

In Europe, we must go on helping our friends and allies to build up their military forces. This means we must send weapons in large volume to our European allies. I have directed that weapons for Europe be given a very high priority. Economic aid is necessary, too, to supply the margin of difference between success and failure in making Europe a strong partner in our joint defense.

In the long run, we want to see Europe free from any dependence on our aid. Our European allies want that just as much as we do. The steps that are now being taken to build European unity should help bring that about. Five European countries are pooling their coal and steel production under the Schuman Plan. Work is going forward on the merger of European national forces on the continent into a single army. These great projects should become realities in 1952.

We should do all we can to help and encourage the move toward a strong and united Europe.

Help to Free Nations of Asia

In Asia, the new Communist empire is a daily threat to millions of people. The peoples of Asia want to be free to follow their own way of life. They want to preserve their culture and their traditions against Communism, just as much as we want to preserve ours. They are laboring under terrific handicaps — poverty, ill health, feudal ssytems of land ownership, and the threat of internal subversion or external attack. We can and must increase our help to them.

That means military aid, especially to those places like Indo-China which might be hardest hit by some new Communist attack.

It also means economic aid, both technical know-how and capital investment.

This last year, we made available millions of bushels of wheat to relieve famine in India. But far more important, in the long run, is the work Americans are doing in India to help the Indian farmers themselves raise more grain. With the help of our technicians, Indian farmers, using simple, inexpensive means, have been able since 1948 to double the crops in one area in India. One farmer there raised 63 bushels of wheat to the acre, where 13 bushels had been the average before.

This is our Point 4 program at work. It is working—not only in India, but in Iran, Paraguay, Liberia — in 33 countries around the globe. Our technical missionaries are out there. We need more of them. We need more funds to speed their efforts, because there is nothing of greater importance in all our foreign policy. There is nothing that shows more clearly what we stand for, and what we want to achieve.

We have recently lost a great public servant who was leading this effort to bring opportunity and hope to the people of half the world. Dr. Henry Bennett and his associates died in the line of duty on a Point 4 mission. It is up to us to carry on the great work for which they gave their lives.

During the coming year we must not forget the suffering of the people who live behind the Iron Curtain. In those areas, minorities are being oppressed, human rights violated, religions persecuted. We should continue to expose those wrongs. We should continue and expand the activities of the Voice of America, which brings our message of hope and truth to those peoples and other peoples throughout the world.

I have just had an opportunity to discuss many of these world problems with Prime Minister Churchill. We have had a most satisfactory series of meetings. We thoroughly reviewed the situation in Europe, the Middle East and the Far East. We both look forward to steady progress toward peace through the cooperative action and teamwork of the free nations.

Jobs We Have at Home

Turning from our foreign policies, let us now consider the jobs we have here at home as part of our program for peace.

The first of these jobs is to move ahead full steam on our defense program.

Our objective is to have a well-equipped, active defense force large enough—in concert with the forces of our Allies—to deter aggression and to inflict punishing losses on the enemy immediately if we should be attacked. This active force must be backed by adequate reserves, and by the plants and tools to turn out the tremendous quantities of new weapons that would be needed if war came. We are not building an active force adequate to carry on a full scale war, but we are putting ourselves in a position to mobilize very rapidly if we have to.

This year I shall recommend some increases in the size of the active force we are building, with particular emphasis on air power. This means we shall have to continue large-scale production of planes and other equipment for a longer period of time than we had originally planned.

Planes and tanks and other weapons—what the military call "hard goods"—are now beginning to come off the production lines in volume. Deliveries of hard goods now amount to about a billion and a half dollars worth a month. A year from now, we expect this rate to be doubled.

We shall have to hold a high rate of military output for about a year after that. In 1954, we hope to have enough equipment so that we can reduce the production of most military items substantially. The next two years should therefore be the peak period of defense production.

Defense needs will take a lot of our steel, aluminum, copper, nickel, and other scarce materials. This means smaller production of some civilian goods. The cutbacks will be nothing like those during World War II, when much civilian production was completely stopped. But there will be considerably less of some goods than we have been used to these past two or three years.

Keeping Down Inflation a Defense Job

A very critical part of our defense job this year is to keep down inflation.

We can control inflation if we make up our minds to do it.

On the executive side of the government, we intend to hold the line on prices just as tightly as the law allows. We will permit only those wage increases which are clearly justified under sound stabilization policies; and we will see to it that industries absorb cost increases out of earnings wherever feasible, before they are authorized to raise prices. We will do that, at any rate, except where the recent amendments to the law specifically require us to give further price increases.

The Congress has a tremendous responsibility in this matter. Our stabilization law was shot full of holes at the last session. This year, it will be one of the main tasks before the Congress to repair the damage and enact a strong anti-inflation law.

As a part of our program to keep our country strong, we are determined to preserve the financial strength of the government. This means high taxes over the next few years. We must see to it that these taxes are shared among the people as fairly as possible. I expect to discuss these matters in the economic report and the budget message, which will soon be presented to the Congress.

Our tax laws must be fair. And we must make absolutely certain they are administered fairly, without fear or favor of any kind for anybody. To this end, steps have already been taken to remedy weaknesses which have been disclosed in the administration of the tax laws. In addition, I hope the Congress will approve my reorganization plan for the Bureau of Internal Revenue. We must do everything necessary in order to make just as certain as is humanly possible that every taxpayer receives equal treatment under the law.

To carry the burden of defense, we must have a strong, productive and expanding economy here at home. We cannot neglect those things that have made us the great and powerful nation we are today.

Our strength depends upon the health, the morale, the freedom of our people. We can take on the burden of leadership in the fight for world peace because, for nearly 20 years, the government and the people have been working together for the general welfare. We have given more and more of our citizens a fair chance at decent, useful, productive lives. That is the reason we are as strong as we are today.

This government of ours — the Congress and the executive both —must keep on working to bring about a fair deal for all Americans. Some people will say that we haven't the time or the money this year for measures for the welfare of the people. But if we want to win the fight for peace, this is a part of the job we cannot ignore.

Must Keep Up Things Vital to National Strength

We will have to give up some things, we will have to go forward on others at a slower pace. But, so far as I am concerned, I do not think we can give up the things that are vital to our national strength.

I believe most people in this country will agree with me on that.

I think most farmers understand that soil conservation and rural electrification and agricultural research are not frills or luxuries but real necessities in order to boost our farm production.

I think most workers understand that decent housing and good working conditions are not luxuries but necessities if the working men and women of this country are to continue to outproduce the rest of the world.

I think our businessmen know that scientific research and transportation services and more steel mills and power projects are not luxuries but necessities to keep our business and industry in the forefront of industrial progress.

I think everybody knows that social insurance and better schools and health services are not frills, but necessities in helping all Americans to be useful and productive citizens, who can contribute their full share in the national effort to protect and advance our way of life.

We can't do all we want to in times like these — we have to choose the things that will contribute most to defense—but we must continue to make progress if we are to be a strong nation in the years ahead.

Let me give you some examples:

We are going right ahead with urgently needed work to develop our national resources, to conserve our soil and to prevent floods. We are going to produce essential power and build the lines we have to have to transmit it to our farms and factories. We are going to encourage exploration for new mineral deposits.

We are going to keep on building essential highways and taking the other steps that will assure the nation an adequate transportation system—on land, on the sea and in the air.

We must move right ahead this year to see that defense workers and soldiers' families get decent housing at rents they can afford to pay.

We must begin our long-deferred program of Federal aid to education—to help the states meet the present crisis in the operation of our schools. And we must help with the construction of schools in areas where they are critically needed because of the defense effort.

We urgently need to train more doctors and other health personnel, through aid to medical education. We also urgently need to expand the basic public health services in our home communities—especially in defense areas. The Congress should go ahead with these two measures immediately.

I have set up an impartial commission to make a thorough study of the nation's health needs. One of the things this commission is looking into is how to bring the cost of modern medical care within the reach of all our people. I have repeatedly recommended national health insurance as the best way to do this. So far as I know, it is still the best way. If there are any better answers, I hope this commission will find them. But of one thing I am sure: Something must be done—and be done soon.

Improvements in Social Security

This year we ought to make a number of urgently needed improvements in our social security law. For one thing, benefits under old age and survivors insurance should be raised $5 a month above the present aberage of $42. For another thing, the states should be given special aid to help them increase public assistance payments. By doing these things now, we can ease the pressure of living costs for people who depend on those fixed payments.

We should also make some cost-of-living adjustments for those receiving veterans' compensation for death or disability incurred in the service of our country. In addition, now is the time to start a sensible program of readjustment benefits for our veterans who have seen service since the fighting broke out in Korea.

Another thing the Congress should do at this session is to strengthen our system of farm price supports to meet the defense emergency. The "sliding scale" in the price support law should not be allowed to penalize farmers for increasing production to meet defense needs. We should also find a new and less costly method for supporting perishable commodities than the law now provides.

We need to act promptly to improve our labor law. The Taft-Hartley Act has many serious and far-reaching defects. Experience has demonstrated this so clearly that even the sponsors of the act now admit it needs to be changed. A fair law—fair to both management and labor—is indispensable to sound labor relations and to full, uninterrupted production. I intend to keep working for a fair law until we get one.

Civil Rights Should Be Upheld

As we build our strength to defend freedom in the world, we ourselves must extend the benefits of freedom more widely among all our own people. We need to take action toward the wider enjoyment of civil rights. Freedom is the birthright of every American.

The executive branch has been making real progress toward full equality of treatment and opportunity—in the armed forces, in the civil service, and in private firms working for the government. Further advances require action by the Congress, and I hope that means will be provided to give the members of the Senate and the House a chance to vote on them.

I am glad to hear that home rule for the District of Columbia will be the first item of business before the Senate. I hope that it, as well as statehood for Hawaii and Alaska, will be adopted promptly.

All these measures I have been talking about — measures to advance the well-being of our people—demonstrate to the world the forward movement of our free society.

This demonstration of the way free men govern themselves has a more powerful influence on the people of the world — on both sides of the Iron Curtain—than all the trick slogans and pie-in-the-sky promises of the Communists.

But our shortcomings, as well as our progress, are watched from abroad. And there is one shortcoming I want to speak plainly about.

Cannot Tolerate Dishonesty in Government Service

Our kind of government above all others cannot tolerate dishonesty among its public servants.

Some dishonest people worm themselves into almost every human organization. It is all the more shocking, however, when they make their way into a government such as ours, which is based on the principle of justice for all. Such unworthy public servants must be weeded out. I intend to see to it that Federal employees who have been guilty of misconduct are punished for it. I also intend to see to it that the honest and hard-working majority of our Federal employees are protected against partisan slander and malicious attack.

I have already made some recommendations to the Congress to help accomplish these purposes. I intend to submit further recommendations to this end. I will welcome the cooperation of the Congress in this effort.

I also think that the Congress can do a great deal to strengthen confidence in our institutions by applying rigorous standards of moral integrity in its own operations—and by finding an effective way to control campaign expenditures—and by protecting the rights of individuals in Congressional investigations.

To meet the crisis which now hangs over the world, we need many different kinds of strength—military, economic, political and moral. And of all these, I am convinced that moral strength is the most vital.

When you come right down to

Continued on page 40

Continued from page 39

Truman Warns of Grave War Peril

it, it is the courage and the character of our nation—and of each one of us as individuals—that will really decide how well we meet this challenge.

We are engaged in a great undertaking at home and abroad—the greatest, in fact, that any nation has ever been privileged to embark upon. We are working night and day to bring peace to the world and to spread the democratic ideals of justice and self-government to all people. Our accomplishments are already remarkable. We ought to be full of pride in what we are doing—and full of confidence and hope in the outcome. No nation ever had greater resources, or greater energy, or nobler traditions to inspire it.

Timid, Fearful Men

And yet, day in and day out, we see a long procession of timid and fearful men who wring their hands and cry out that we have lost the way—that we don't know what we are doing—that we are bound to fail. Some say we should give up the struggle for peace, and others say we should have a war and get it over with. They want us to forget the great objective of preventing another world war — the objective for which our soldiers have been fighting in the hills of Korea.

If we are to be worthy of all that has been done for us by our soldiers in the field, we must be true to the ideals for which they are fighting. We must reject the counsels of defeat and despair. We must have the determination to complete the great work for which our men have laid down their lives.

Must Have Faith

In all we do, we should remember who we are and what we stand for. We are Americans. Our forefathers had far greater obstacles than we have, and much poorer chances of success. They did not lose heart, or turn aside from their goals. In that darkest of all winters in American history, at Valley Forge, George Washington said: "We must not, in so great a contest, expect to meet with nothing but sunshine." With that spirit they won their fight for freedom.

We must have that same faith and vision. In the great contest in which we are engaged today, we cannot expect to have fair weather all the way. But it is a contest just as important for this country and for all men, as the desperate struggle that George Washington fought through to victory.

Let us prove, again, that we are not merely sunshine patriots and summer soldiers. Let us go forward, trusting in the God of Peace, to win the goals we seek.

Three With Butler, Wick

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, Ohio — Edmund R. Merz, Paul H. Resch, and James R. Schreiber are now affiliated with Butler, Wick & Co., Union National Bank Building, members of the New York and Midwest Stock Exchanges.

With E. M. Adams Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Peter Crumpacker has become affiliated with E. M. Adams & Co., American Bank Building.

Continued from page 5

The State of Trade and Industry

from other mills. Now the Corporation's stocks on the ground in Pittsburgh are practically nonexistent—200 tons early this week compared with daily consumption of 4,500 tons. They are now working out of cars. In several important areas scrap collections have fallen more than 50% during the past few weeks. King winter may govern steel production until spring, concludes this trade authority.

In the automotive industry both car and truck production rose the past week as many auto makers resumed production, states "Ward's Automotive Reports."

The greatest gain, about 68% over the week before, was shown in car production and reflected the return to production by Cadillac, Buick, Oldsmobile, Pontiac, Kaiser-Frazer and Packard. All had been shut down for inventory or model changeover in the previous week.

The agency estimated that 5,333,848 passenger cars were produced in the United States last year, against 6,674,730 turned out in 1950. Of this output, it reported General Motors had 42.30% of the volume, compare diwth 45.67% in 1950 and 43.04% in 1949. Chrysler moved up to 23.03% from 18.01% in 1950 and 21.92% in 1949, while Ford dropped under 1950, but paralleled 1949 with last year's share of 21.85%. The independents equaled 1950 with 12.82%.

Truck production totaled a record 1,415,567 units for the year, compared with 1,344,225 in 1950, according to "Ward's." Of this total, 85,054 were built in December. Some 99,000 are planned for January.

Steel Output Scheduled at Slightly Higher Rate This Week

Uncertainties in the steel market outlook are intensified at the turn of the year by the wage and price issue, says "Steel" the weekly magazine of metal-working. Prompt solution of the problems raised is imperative in the interest of national defense and the general economy. But this all-important issue is only one of several in the industry giving cause for concern for the months ahead. Pressing for quick solution is the matter of metallics supply with low scrap inventories presenting a threat to capacity steelmaking. Then, also, distribution under government controls remains to be worked out more realistically.

For the first time in history, in 1951, United States mills produced more than 100 million tons of steel in a calendar year. Output is estimated at 105,145,000 net tons, ingot operations averaging 101%.

United States steel production this year could hit a new peak, provided demand holds up and threatened operating difficulties are averted, this trade weekly asserts. Producing capacity beginning 1952 is estimated at 107 million ingot tons, up 3 million from Jan. 1, 1951. By the year-end 1952 capacity is expected to exceed 117 million tons, considered by some trade authorities as more than sufficient to care for demands.

Shortage of metallics may prevent a new production record this year, this magazine notes, since pig iron, alloying metals and scrap continue in short supply.

Last year purchased scrap requirements exceeded 36 million tons and it was nip-and-tuck through the year despite a government-sponsored collection drive. Considerable tonnage allocation to distress points was necessary to sustain capacity operations. This year purchased scrap needs are estimated in excess of 38 million tons, "Steel" magazine states.

Heavy consumption of steel is indicated this year, though further curtailments in civilian goods tonnage allotments are scheduled in the first and second quarters. Peak defense load still is months away. But with new steelmaking capacity scheduled for completion many trade authorities think supply-demand balance will be achieved sooner than generally anticipated.

Pressure for steel price increases had been rising even before the wage issue arose in the fall. Steelmakers have been insisting for months they needed relief to offset higher costs. Whether a formula can be worked out to permit price increases to compensate for a wage boost remains to be seen, "Steel," concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 102.1% of capacity for the week beginning Jan. 7, 1952, equivalent to 2,041,000 tons of ingots and steel for castings, an increase of 0.1 of a point above last week.

Last week's operating rate was equivalent to 102.0% or 2,039,000 tons of steel ingots and castings for the entire industry, compared to 104.1%, or 2,081,000 tons a month ago. A year ago production stood at 99.1%, or 1,980,800 tons.

Electric Output Shows Gain Over Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 5, 1952, was estimated at 7,148,620,000 kwh., according to the Edison Electric Institute.

The current total was 226,995,000 kwh. more than that of the preceding week. It was 546,498,000 kwh., or 8.3% above the total output for the week ended Jan. 6, 1951 and 1,453,248,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Drop 25.3% Below Previous Week

Loadings of revenue freight for the week ending Dec. 28, 1951, which included the Christmas holiday, totaled 501,956 cars, according to the Association of American Railroads, representing a decrease of 169,666 cars, or 25.3% below the preceding 1951 week.

The week's total represented a decrease of 100,451 cars, or 16.7% below the corresponding week of 1950, but a rise of 6,316 cars, or 1.3% above the comparable period of 1949.

Automotive Output in U. S. Rises 68% Above Previous Week

Motor vehicle production in the United States the past week, according to "Ward's Automotive Reports," rose to 53,423 units, compared with the previous week's total of 35,193 (revised) units, and 93,251 units in the like week a year ago.

Passenger car production in the United States last week was about 68% above the previous week, but 43% under the like week of last year.

Total output for the current week was made up of 40,417 cars and 13,006 trucks built in the United States, against 24,042 cars and 11,151 trucks last week and 70,490 cars and 22,761 trucks in the comparable period a year ago.

Canadian output last week rose to 3,003 cars and 1,849 trucks, against 2,542 cars and 1,753 trucks in the preceding week and 5,228 cars and 1,593 trucks in the similar period of a year ago.

Business Failures Turn Downward in 2nd Holiday Week

Commercial and industrial failures declined to 126 in the week ended Jan. 3 from 163 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were off moderately from the comparable weeks of 1951 and 1950 when 144 and 161 occurred respectively, they fell sharply, 60%, below the prewar total of 312 in the similar week of 1939.

A decrease occurred in both large and small casualties the past week, being considerably lower than in 1951.

Wholesale Food Price Index Shows No Change in Holiday Week

There was no change in the Jan. 1 figure of the Dun & Bradstreet, Inc., wholesale food price index from the Dec. 25 level. The $6.64 recorded on both dates was 4.2% below the year ago index of $6.93 on Jan. 2, 1951. It was 4.7% below the 1951 annual average of $6.97.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Closes Slightly Above Preceding Week

After a sharp rise in the early part of the week, the Dun & Bradstreet, Inc., daily wholesale commodity price index moved downward to close at 310.45 on Dec. 31, slightly above the 309.79 of a week previous. The current figure compares with 318.03 on the corresponding date a year ago, or a decline of 2.4%.

Seasonal dullness characterized leading grain markets in the past holiday week.

Price changes were small and irregular with most grains closing slightly below the levels of a week earlier.

Activity in wheat and corn fell sharply below a week ago. Depressing influences in wheat included the failure to reach any agreement on a truce in Korea and the lull in current export demand. Marketings of wheat dropped off sharply during the holiday week. Corn marketings also declined materially during the week. Much of the selling in corn was attributed to the less favorable hog-corn ratio. Following early firmness, oats weakened as the result of slow holiday demand. Trading in all grain futures on the Chicago Board of Trade in the past short week dropped to a daily average of about 32,000,000 bushels, comparing with a daily rate of 43,000,000 the previous week, and 28,000,000 in the like week a year ago.

Cotton prices moved in a narrow range and showed little change during the week. Trading was quiet, reflecting holiday influences with total sales in the 10 spot markets down sharply to 86,700 bales, as against 203,200 the previous week, and 92,100 in the same week last year. Stocks of cotton in mill warehouses at the end of November were reported at 1,440,000 bales, the smallest in sixteen years for that date. Trading in cotton textiles markets was relatively quiet, with prices for most constructions holding firm.

Trade Volume Holds at Moderately Higher Level In Post-Holiday Week

Although the usual post-holiday slump in retail shopping occurred in most sections of the nation in the period ended on Wednesday of last week, the aggregate dollar volume of retail trade continued to be moderately higher than that of a year earlier, Dun & Bradstreet, Inc., reveals in its latest summary of trade. Attractive promotions of seasonal merchandise at reduced prices helped to sustain consumer interest. Most retailers were busy with exchanges which were about as numerous as in recent years.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 2 to 6% above a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England and Northwest 0 to +4; East +2 to +6; Midwest +5 to +9; South +6 to +10; Southwest and Pacific Coast +1 to +5.

Trading activity in many wholesale markets last week continued at the slackened pace of the preceding week as the year-end, holiday lull prevailed. The total dollar volume of wholesale orders did not vary sharply from the high level of a year ago. Most merchants remained rather circumspect and limited their commitments to near-term needs.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 29, 1951 rose 11%* from the like period of last year. In the preceding week an increase of 3% (revised) was registered above the like period a year ago, but for the four weeks ended Dec. 29, 1951, sales rose 1%. For the year to Dec. 29, 1951, department store sales registered an advance of 3%.

Retail trade in New York a week ago when compared with the "scare buying" of a year previous, reflected a drop in the latest week of 15 to 20% trade estimates reveal, but in terms of units, sales volume was considered high.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 29, 1951, increased 12%* above the like period of last year. In the preceding week no change was recorded from the similar week of 1950, while for the four weeks ended Dec. 29, 1951, a decrease of 3% was registered below the level of a year ago. For the year to date volume advanced 4% above the like period of last year.

*The increases shown for this week reflect in part the fact that this year Christmas fell on Tuesday and the week therefore included one day of heavy pre-Christmas shopping; in the corresponding week last year Christmas fell on Monday.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 13	102.1	102.0	104.1	99.1
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 13	2,041,000	2,039,000	2,081,000	1,980,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Dec. 29	6,204,100	6,205,800	6,246,350	5,757,910
Crude runs to stills—daily average (bbls.)	Dec. 29	[1]6,763,000	6,545,000	6,700,000	6,388,000
Gasoline output (bbls.)	Dec. 29	22,478,000	21,773,000	22,346,000	20,622,000
Kerosene output (bbls.)	Dec. 29	2,523,000	2,664,000	2,627,000	2,693,000
Distillate fuel oil output (bbls.)	Dec. 29	10,522,000	10,150,000	10,271,000	10,024,000
Residual fuel oil output (bbls.)	Dec. 29	9,371,000	9,017,000	9,180,000	9,434,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 29	122,558,000	117,618,000	112,478,000	116,695,000
Kerosene (bbls.) at	Dec. 29	25,528,000	26,892,000	30,377,000	20,335,000
Distillate fuel oil (bbls.) at	Dec. 29	83,792,000	87,847,000	96,308,000	71,318,000
Residual fuel oil (bbls.) at	Dec. 29	43,571,000	43,307,000	46,791,000	41,062,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 29	501,956	671,622	821,776	602,407
Revenue freight received from connections (number of cars)	Dec. 29	521,721	599,893	646,847	583,566
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 3	$159,136,000	$173,495,000	$324,110,000	$154,206,000
Private construction	Jan. 3	69,701,000	106,654,000	240,813,000	63,439,000
Public construction	Jan. 3	89,435,000	66,841,000	83,297,000	90,767,000
State and municipal	Jan. 3	73,871,000	61,137,000	54,044,000	80,698,000
Federal	Jan. 3	15,564,000	5,704,000	29,253,000	10,069,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 29	7,770,000	*10,695,000	12,145,000	9,629,000
Pennsylvania anthracite (tons)	Dec. 29	616,000	924,000	1,047,000	642,000
Beehive coke (tons)	Dec. 29	136,800	152,300	147,600	147,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Dec. 29	263	*656	464	237
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 5	7,148,620	6,921,625	7,443,964	6,602,122
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Jan. 3	124	163	136	144
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 1	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Jan. 1	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Jan. 1	$42.00	$42.00	$42.00	$45.09
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 2	24.200c	24.200c	24.200c	24.200c
Export refinery at	Jan. 2	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Jan. 2	103.000c	103.000c	103.000c	150.000c
Lead (New York) at	Jan. 2	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Jan. 2	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Jan. 2	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 8	96.38	96.54	97.09	101.41
Average corporate	Jan. 8	108.34	108.16	108.70	115.82
Aaa	Jan. 8	112.75	112.37	113.31	119.82
Aa	Jan. 8	111.62	111.44	112.19	118.80
A	Jan. 8	107.09	107.09	107.44	115.04
Baa	Jan. 8	102.30	101.97	102.46	109.79
Railroad Group	Jan. 8	104.14	103.64	104.48	112.37
Public Utilities Group	Jan. 8	108.34	108.16	108.52	116.02
Industrials Group	Jan. 8	112.75	112.75	113.31	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 8	2.74	2.73	2.70	2.39
Average corporate	Jan. 8	3.26	3.27	3.24	2.86
Aaa	Jan. 8	3.02	3.04	2.99	2.66
Aa	Jan. 8	3.08	3.09	3.05	2.71
A	Jan. 8	3.33	3.33	3.31	2.90
Baa	Jan. 8	3.61	3.63	3.60	3.18
Railroad Group	Jan. 8	3.50	3.53	3.48	3.04
Public Utilities Group	Jan. 8	3.26	3.27	3.25	2.85
Industrials Group	Jan. 8	3.02	3.02	2.99	2.69
MOODY'S COMMODITY INDEX	Jan. 8	460.7	458.8	463.9	517.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 31 †	179,761	153,591	179,689	158,208
Production (tons)	Dec. 31 †	151,952	203,923	192,085	139,385
Percentage of activity	Dec. 31 †	40	86	80	63
Unfilled orders (tons) at end of period	Dec. 31	358,720	333,224	365,363	617,245
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Jan. 4	147.1	147.2	147.2	149.0
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 22	24,549	26,929	22,305	39,378
Number of shares	Dec. 22	720,127	774,374	618,109	1,248,831
Dollar value	Dec. 22	$32,633,607	$34,369,715	$27,462,391	$48,803,549
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 22	23,026	24,487	16,917	41,401
Customers' short sales	Dec. 22	81	122	199	360
Customers' other sales	Dec. 22	22,945	24,365	16,718	41,041
Number of shares—Total sales	Dec. 22	659,286	678,350	468,733	1,256,542
Customers' short sales	Dec. 22	2,936	4,316	6,429	13,677
Customers' other sales	Dec. 22	656,350	674,034	462,304	1,242,865
Dollar value	Dec. 22	$27,764,489	$27,959,465	$19,954,455	$46,632,342
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 22	198,990	212,650	126,020	405,690
Short sales	Dec. 22	------	------	------	------
Other sales	Dec. 22	198,990	212,650	126,020	405,690
Round-lot purchases by dealers—					
Number of shares	Dec. 22	277,650	298,940	251,720	419,360
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Jan. 1	177.2	*177.3	177.1	177.9
Farm products	Jan. 1	193.7	*195.1	193.9	189.6
Grains	Jan. 1	195.4	196.7	197.1	185.6
Livestock	Jan. 1	237.9	237.6	239.9	241.2
Foods	Jan. 1	189.1	189.2	187.5	180.7
Meats	Jan. 1	266.9	265.1	267.6	257.9
All commodities other than farm and foods	Jan. 1	165.4	*165.5	165.5	168.9
Textile products	Jan. 1	159.7	160.0	159.6	173.1
Fuel and lighting materials	Jan. 1	138.8	138.8	138.8	136.4
Metals and metal products	Jan. 1	190.9	190.9	190.9	187.4
Building materials	Jan. 1	224.2	224.6	224.7	223.4
Lumber	Jan. 1	346.5	347.9	347.5	‡
Chemicals and allied products	Jan. 1	137.7	137.6	139.4	142.5

*Revised. ‡Not available. [1]Includes 453,000 barrels of foreign crude runs. †Nine days ended Dec. 31.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (bbls. of 42 gallons each)	215,777,000	204,885,000	192,102,000
Domestic crude oil output (bbls.)	197,610,000	187,816,000	176,626,000
Natural gasoline output (bbls.)	18,123,000	17,029,000	15,459,000
Benzol output (bbls.)	44,000	40,000	7,000
Crude oil imports (bbls.)	13,054,000	15,000,000	15,760,000
Refined products imports (bbls.)	10,778,000	7,318,000	10,005,000
Indicated consumption domestic and export (bbls.)	232,569,000	214,251,000	201,547,000
Increase—all stocks (bbls.)	7,040,000	12,952,000	16,320,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):			
Total new construction	$2,222	$2,495	$2,234
Private construction	1,521	1,692	1,721
Residential building (nonfarm)	809	915	1,003
New dwelling units	715	815	923
Additions and alterations	80	86	62
Nonhousekeeping	14	14	18
Nonresidential building (nonfarm)	320	343	395
Industrial	147	155	125
Commercial	69	75	140
Warehouses, office and loft buildings	31	32	48
Stores, restaurants, and garages	38	43	92
Other nonresidential building	104	113	130
Religious	23	26	39
Educational	25	26	29
Social and recreational	7	8	20
Hospital and institutional	32	34	30
Miscellaneous	17	19	12
Farm construction	81	92	71
Public utilities	305	336	247
Railroad	34	38	28
Telephone and telegraph	32	35	35
Other public utilities	239	263	184
All other private	6	6	5
Public construction	701	803	513
Residential building	66	69	30
Nonresidential building	260	269	216
Industrial	86	85	31
Educational	116	118	110
Hospital and institutional	34	38	39
Other nonresidential building	24	28	36
Military and naval facilities	149	148	24
Highways	95	170	103
Sewer and water	48	54	56
Miscellaneous public service enterprises	11	14	13
Conservation and development	68	74	63
All other public	4	5	4
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of Nov. 30:			
Total consumer credit	$19,996	$19,586	$19,385
Instalment credit	13,259	13,199	13,306
Sale credit	7,391	7,355	7,805
Automobile	4,100	4,134	4,175
Other	3,291	3,221	3,630
Loan credit	5,868	5,844	5,501
Noninstalment credit	6,737	6,387	6,099
Charge accounts	4,206	3,868	3,739
Single payment loans	1,421	1,413	1,298
Service credit	1,110	1,106	1,062
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of November:			
Cotton Seed—			
Received at mills (tons)	1,002,084	*1,586,788	792,807
Crushed (tons)	774,851	*837,547	564,151
Stocks (tons) Nov. 30	1,932,516	*1,705,283	1,202,321
Crude Oil—			
Stocks (pounds) Nov. 30	184,426,000	*152,672,000	98,408,000
Produced (pounds)	243,636,000	*257,819,000	182,355,000
Shipped (pounds)	201,438,000	186,591,000	174,640,000
Refined Oil—			
Stocks (pounds) Nov. 30	225,137,000	154,868,000	155,036,000
Produced (pounds)	186,793,000	173,826,000	160,209,000
Consumption (pounds)	122,100,000	125,071,000	116,590,000
Cake and Meal—			
Stocks (tons) Nov. 30	60,242	*72,854	207,924
Produced (tons)	361,366	*387,447	251,982
Shipped (tons)	373,978	*385,596	258,284
Hulls—			
Stocks (tons) Nov. 30	32,617	35,269	82,635
Produced (tons)	172,244	*183,193	127,347
Shipped (tons)	174,896	*171,381	141,359
Linters (running bales)—			
Stocks Nov. 30	173,200	*135,868	82,622
Produced	245,880	*266,665	188,810
Shipped	208,548	*226,035	195,945
Hull Fiber (1,000-lb. bales)—			
Stocks Nov. 30	1,322	838	483
Produced	2,543	1,834	1,702
Shipped	2,059	1,814	2,271
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Nov. 30	7,116	*5,794	4,253
Produced	3,962	*4,041	3,027
Shipped	2,640	2,411	2,870
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1947-49 Average = 100 Month of December:			
Adjusted for seasonal variations	110	*112	*110
Without seasonal adjustment	185	*134	*185
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1935-1939 AVERAGE = 100—Month of November:			
Sales (average monthly), unadjusted	311	277	298
Sales (average daily), unadjusted	317	262	302
Sales (average daily), seasonally adjusted	246	240	234
Stocks, unadjusted	299	294	300
Stocks, seasonally adjusted	260	261	266
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of December:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	27.425c	27.425c	24.425c
Lead (per pound)—			
Common, New York	19.000c	19.000c	17.000c
Common, St. Louis	18.800c	18.800c	16.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.000c	88.000c	80.000c
Silver, London (pence per ounce)	77.000c	77.000c	70.000c
Sterling Exchange (Check)	$2.79269	$2.79987	$2.79925
Zinc (per pound)—East St. Louis	19.500c	19.500c	17.500c
Tin (per pound)—			
New York Straits	103.000c	103.000c	144.940c
§§New York, 99% min.	102.000c	102.000c	143.940c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$213.200	$216.304	$126.240

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Allied Kid Co., Boston, Mass.
Dec. 10 (letter of notification) 1,000 shares of common stock (par $5). **Price**—At market (estimated at $21 per share). **Underwriter**—Schirmer, Atherton & Co., Boston, Mass. **Proceeds**—To Benjamin Simons, the selling stockholder.

American Airlines, Inc., New York
Dec. 5 filed 740,750 shares of common stock (par $1), of which 135,750 shares are to be offered to executive employees through outstanding options at $11.70 per share, and 605,000 shares are to be offered to employees through above options. **Underwriter** — None. **Proceeds** — For working capital.

American Bosch Corp.
Nov. 13 filed 65,450 shares of cumulative convertible second preferred stock, 1952 series, being offered to common stockholders of record Jan. 8 at rate of one share of preferred for each 20 common shares held (with oversubscription privileges); rights to expire Jan. 22. **Price**—At par ($50 per share) and accrued dividends. **Underwriter**—Allen & Co., New York. **Proceeds**—For capital expenditures and working capital and other corporate purposes.

★ Amerind Builders Cooperative, Inc., Detroit, Mich.
Jan. 2 (letter of notification) 200 shares of common stock. **Price**—At par ($1,000 per share). **Underwriter** — None. **Proceeds**—For working capital. **Office**—2528 Buhl Building, Detroit 26, Mich.

American-Canadian Uranium Co., Ltd., N. Y.
Dec. 28 filed 850,000 shares of common stock (par 10c). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To repay loans and other liabilities and for exploration expenses.

American Fire & Casualty Co., Orlando, Fla.
Dec. 19 (letter of notification) 11,100 shares of common stock (par $10). **Price** — $27 per share. **Underwriter** — Guardian Credit Corp., Orlando, Fla. **Proceed** — For purchase of securities. **Office** — American Building, Orlando, Fla.

Arizona Flour Mills Co., Phoenix, Ariz.
Dec. 24 (letter of notification) 20,000 shares of capital stock (par $10) being offered initially to stockholders of record about Jan. 5. **Price**—$15 per share. **Underwriter**—Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Proceeds**—To retire promissory notes and for working capital. **Company's Address**—P. O. Box 2510, Phoenix, Ariz.

★ Arizona Mining Corp. (Del.)
Dec. 28 (letter of notification) 294,000 shares of class A capital stock, of which 194,000 shares will be sold by company and 100,000 shares by New Jersey Loan Co. **Price**—At par ($1 per share). **Underwriter**—W. C. Doehler Co., Jersey City, N. J. **Proceeds**—For new mill, tunneling and core-drilling expenses and working capital.

★ Audio & Video Products Corp., N. Y.
Jan. 4 (letter of notification) 235,000 shares of common stock (par 1 cent). **Price**—60 cents per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc. and Townsend, Graff & Co., both of New York. **Proceeds**—To increase working capital.

★ Basic Refractories, Inc., Cleveland, Ohio
Jan. 2 filed 63,585 shares of common stock (par $1) to be offered to common stockholders at rate of one share for each five shares held. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—To H. P. Eells, Jr., President, who is the selling stockholder.

Benbow Manufacturing Co., Burlingame, Calif.
Dec. 7 (letter of notification) 85,000 shares of capital stock (par $1), of which 10,000 shares are to be offered first to stockholders and 75,000 shares offered publicly. **Price**—$3 per share. **Underwriter**—None, but Davies & Co., San Francisco, Calif., acts as agent. **Proceeds**—To retire debt and for working capital. **Office**—1285 Rollins Road, Burlingame, Calif.

★ Briddell (Charles D.), Inc., Crisfield, Md.
Dec. 28 (letter of notification) $96,400 of 5% debenture bonds due July 1, 1956 (in denominations of $100, $500 and $1,000) and 5,000 shares of cumulative preferred stock (par $10). **Price** — At par. **Underwriter** — None. **Proceeds**—To finance construction of new plant.

★ Brooks & Perkins, Inc., Detroit, Mich.
Jan. 2 (letter of notification) 25,511 shares of common stock (par $1). **Price**—$4.25 per share. **Underwriter**—Watling, Lerchen & Co., Detroit, Mich. **Proceeds** — To construct and equip a magnesium rolling mill. **Office**—1950 West Fort St., Detroit 16, Mich.

NEW ISSUE CALENDAR

January 10, 1952
South Jersey Gas Co., 11 a.m. (EST) — Common

January 11, 1952
Florida Power Corp. — Preferred
Marshall Field & Co. — Preferred
Van Norman Co. — Debentures

January 14, 1952
Disco Industries, Inc. — Common

January 15, 1952
Southern Oxygen Co. — Debentures

January 16, 1952
Mitchell (Harry) Brewing Co. — Common
Seaboard Finance Co. — Preferred

January 18, 1952
New Britain Machine Co. — Common

January 21, 1952
Consolidated Grocers Corp. — Preferred
International Resistance Co. — Common

January 22, 1952
Indiana & Michigan Electric Co. 11 a.m. (EST) — Bonds & Notes
Pacific Power & Light Co. — Common

January 23, 1952
Central Illinois Public Service Co. — Preferred
Kansas City Power & Light Co. — Preferred & Com.

January 28, 1952
Dayton Power & Light Co. — Bonds & Common
Erie Forge Co. — Common
Southern California Petroleum Corp. — Preferred

January 29, 1952
Central Illinois Public Service Co. — Bonds
United Gas Corp., 11:30 a.m. (EST) — Bonds

January 30, 1952
Lehmann (J. M.) Co., Inc., 11 a.m. (EST) — Common
West Penn Electric Co., 11 a.m. (EST) — Common

February 1, 1952
Southwestern Public Service Co. — Common

February 5, 1952
Pennsylvania Power Co., 11 a.m. (EST) — Bonds

February 20, 1952
Southern Ry. — Equip. Trust Ctfs.

April 1, 1952
West Penn Power Co. — Bonds

Additional Financing Expected in January
Metals & Chemicals Corp. — Common
Moore International Television, Inc. — Common
Olsen, Inc. — Common
Owens-Corning Fibreglas Corp. — Common
Pioneer Air Lines, Inc. — Common
Republic Supply Co. of California — Common

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

Carolina Power & Light Co.
Dec. 14 filed 33,000 shares of $5 cumulative preferred stock (no par) being offered in exchange for $1.35 cumulative preferred stock (par $25) of Tide Water Power Co. on basis of one $5 preferred share for each 4 shares of Tide Water preferred, in connection with proposed merger of the two companies. **Underwriter**—None. Statement effective Jan. 4.

Catalin Corp. of America
Nov. 16 filed 281,243 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 3 at rate of one share for each two shares held, with an oversubscription privilege; rights to expire on Jan. 21. **Price**—$5 per share. **Underwriter**—None. **Proceeds** — For capital expenditures and working capital. Statement effective Dec. 28.

Central Illinois Public Service Co. (1/23)
Dec. 28 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York. **Proceeds**—For new construction.

Central Illinois Public Service Co. (1/29)
Dec. 28 filed $5,000,000 of first mortgage bonds, series D, due Feb. 1, 1982. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. and Central Republic Co. (jointly); Glore, Forgan & Co. **Proceeds**—For new construction. **Bids**—Expected about Jan. 29.

Columbia Pictures Corp., New York
Dec. 26 filed 1,359 shares of common stock (no par). **Price**—At market (about $12.75 per share). **Underwriter**—None. **Proceeds**—To certain selling stockholders.

Consolidated Grocers Corp. (1/21-26)
Dec. 29 filed 200,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriters** — Kuhn, Loeb & Co. New York, A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—To retire 21,307 shares of $100 par value 5% cumulative preferred stock and for additional working capital.

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
Dec. 21 filed 100,000 shares of 4% cumulative preferred stock (par $100) and 1,000,000 shares of common stock (par $5), the preferred to be offered to farmer and non-farmer GLF patrons, and the common stock to farmer patrons only. **Price**—At par. **Underwriter**—None. **Proceeds**—To repay bank loans and working capital.

Cream Valley Telephone Co., Hawkins, Wis.
Dec. 21 (letter of notification) 1,000 shares of common stock (par $25). **Underwriter** — None. **Proceeds** — For construction costs.

★ Cross & Leo Food Products Co., Phoenix, Ariz.
Dec. 28 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For operating capital. **Office**—3041 East Van Buren St., Phoenix, Ariz.

★ Dayton Power & Light Co. (1/28-29)
Jan. 8 filed 256,007 shares of common stock (par $7) and a new series of $15,000,000 first mortgage bonds due in 1982. The stock will be formally offered to common stockholders on Jan. 28 on basis of one share for each nine shares held; rights to expire on Feb. 15. The offering price of the bonds and the interest rate will be announced by the company about Jan. 29. **Underwriters**—Probably Morgan Stanley & Co. and W. E. Hutton & Co. **Proceeds**—To repay $12,000,000 bank loans and for construction program.

Disco Industries, Inc. (1/14)
Dec. 4 (letter of notification) 299,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter** — I. J. Schenin Co., New York. **Proceeds** — For new equipment and working capital.

Dow Chemical Co., Midland, Mich.
Nov. 16 filed 180,000 shares of common stock (par $15) of which about 133,202 shares are offered to common stockholders of record Dec. 14 at rate of one share for each 50 shares held. Subscriptions must be filed between Jan. 3 and Jan. 25, 1952. Approximately 46,798 shares are also offered to employees of the company and its subsidiaries. **Price**—$82.50 per share. **Underwriter**—None. **Proceeds**—For capital additions to plants and facilities and for other corporate purposes. Statement effective Dec. 10.

Essex County Newspapers, Inc., Boston, Mass.
Dec. 21 (letter of notification) $300,000 of first mortgage bonds due 1972 (in denominations of $1,000 each). **Underwriter**—None. **Proceeds**—For newspaper plant and equipment. **Address**—c/o Withington, Cross, Park & McCann, 73 Tremont St., Boston 8, Mass.

Falstaff Brewing Corp., St. Louis, Mo.
Dec. 10 (letter of notification) 20,000 shares of common stock (par $1). **Price**—At market (approximately $12.50 per share). **Underwriter** — J. H. Williston & Co., New York. **Proceeds**—To Estate of Frederick R. Bauer. No general public offering planned.

First Western Co., Seattle, Wash.
Dec. 10 (letter of notification) 6,000 shares of class B common stock. **Price**—At par ($50 per share). **Underwriter**—None, but A. F. Crawford and R. B. Magner will handle sales. **Proceeds**—For construction and working capital. **Office**—8050—35th Street, Seattle, Wash.

Florida Power Corp. (1/11)
Dec. 12 filed 51,550 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Proceeds**—For construction program.

General Appliance Corp., Springfield, Mass.
Dec. 21 (letter of notification) 20,000 shares of common stock (par 10 cents). **Price**—At market (approximately 40 cents per share). **Underwriter**—E. L. Aaron & Co., New York. **Proceeds**—To W. T. Lynch and E. J. Calza, two selling stockholders. **Office**—15 Park St., Springfield, Mass.

★ General Credit Corp., Miami, Fla.
Dec. 29 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $4 per share. **Underwriter**—George R. Holland Associates, Miami, Fla. **Proceeds**—For use in small loan subsidiary branches. **Office**—440 Biscayne Blvd., Miami, Fla.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par $10) to be issued pursuant to an "employees' restricted stock option plan." **Price** — To be supplied by amendment. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—50 Church St., New York.

★ **Graybar Electric Co., Inc., New York**
Dec. 29 filed voting trust certificates relating to 15,000 shares of common stock (par $20) to be offered to certain employees for subscription under a stock purchase plan.

★ **Great Basin Oil & Leasing Co., Salt Lake City, Utah**
Jan. 2 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Underwriter**—None. **Proceeds** — To purchase and acquire oil royalties and to pay rentals on oil and gas leases. **Office**—421-22 Dooly Bldg., Salt Lake City 1, Utah.

Hawkeye-Security Insurance Co.
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par $50). **Price**—At market (currently $50 per share). **Underwriter**—Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par $2.50). **Price**—$18 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To William W. Steele, the selling stockholder.

★ **Howe Plan Fund, Inc., Rochester, N. Y.**
Jan. 7 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Distributor**—George D. B. Bonbright & Co., Rochester, N. Y. **Proceeds**—For investment.

Ideal Cement Co., Denver, Colo.
Nov. 9 filed 250,000 shares of capital stock (par $10) being offered in exchange for shares of $10 par stock of Pacific Portland Cement Co. of San Francisco on basis of one share of Ideal for each two shares of Pacific stock. Up to and including Dec. 31 over 80% of Pacific's stock was deposited, thus consummating the exchange offer. It is Ideal's intention to operate the Pacific company as a subsidiary. **Dealer-Managers**—Boettcher & Co., Denver, Colo.; J. Barth & Co., San Francisco, Calif. **Offer**—Extended to Jan. 31. Statement effective Nov. 29.

Indiana & Michigan Electric Co. (1/22)
Dec. 19 filed $17,000,000 of first mortgage bonds due Jan. 1, 1982 and $6,000,000 of serial notes due Jan. 1, from 1956 to 1967, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co. Inc. **Proceeds**—To repay bank loans and for new construction. **Bids**—To be received up to 11 a.m. (EST) on Jan. 22.

★ **International Aggregates Corp., Denver, Colo.**
Jan. 4 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase and equip home office. **Office**—209 Equitable Bldg., Denver 2, Colo.

★ **International Resistance Co., Philadelphia, Pa. (1 21-26)**
Jan. 4 filed 325,000 shares of common stock (par 10 cents), of which 250,000 are for the account of the company and 75,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Underwriters**—F. Eberstadt & Co., Inc. and Zuckerman, Smith & Co., both of New York. **Proceeds**—To company to retire up to $500,000 of bank loans and for working capital. **Business**—Manufactures resistors used in electronic and electrical devices. **Offering**—Expected week of Jan. 21.

Iowa Public Service Co.
Nov. 26 (letter of notification) 2,000 shares of common stock (par $5). **Price**—At market (approximately $19.50 per share). **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds** — To Ray P. Stevens, the selling stockholder.

Kankakee Water Co., Portland, Me.
Oct. 29 (letter of notification) 2,186 shares of 5½% cumulative preferred stock (par $100) offered by company to residents of Kankakee, Ill. **Price**—$105 per share. **Underwriter**—H. M. Payson & Co., Portland Me. **Proceeds**—For additions and improvements. **Office**—95 Exchange Street, Portland 6, Me. **Offering**—Public offering expected late in January.

★ **Kansas City Power & Light Co. (1/23)**
Jan. 3 filed 100,000 shares of cumulative preferred stock (par $100) and 317,792 shares of common stock (no par), the latter first to be offered for subscription by common stockholders at rate of one share for each six common shares held. **Price**—To be supplied by amendment. **Underwriters**—The first Boston Corp. and Blyth & Co., Inc., New York. **Proceeds**—To repay bank loans and for construction.

Kearney & Trecker Corp., West Allis, Wis.
Dec. 26 (letter of notification) 5,800 shares of common stock (par $3). **Price**—$17 per share. **Underwriters**—Blyth & Co., Inc., and Robert W. Baird & Co., Inc. **Proceeds**—To Francis J. Trecker, the selling stockholder. **Office**—6784 W. National Ave., West Allis 14, Wis.

Key Oil & Gas Co., Ltd., Calgary, Canada
Oct. 3 filed 500,000 shares of common stock, of which 5,000 shares have been reserved for issuance to company counsel for services. **Price**—At par ($1 per share. **Underwriter**—None, but sales will be made by James H. Nelson, promoter and a director of company, of Longview, Wash. **Proceeds**—To drill well, for lease acquisitions and properties held pending development work, and for other corporate purposes. Statement effective Jan. 2.

★ **Kimball Mines, Inc., Spokane, Wash.**
Dec. 27 (letter of notification) 250,000 shares of capital stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To construct mine plant and for equipment. **Office**—1229 Old National Bank Bldg., Spokane 1, Wash.

Lindemann (A. J.) & Hoverson Co.
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

★ **Louisville Gas & Electric Co. (Ky.)**
Jan. 9 filed $12,000,000 of first mortgage bonds due Feb. 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp. **Proceeds**—For property additions.

Lubrication Engineers, Inc., Fort Worth, Tex.
Nov. 20 (letter of notification) 750 shares of common stock to be offered first to stockholders, and then to public. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — For operating capital. **Office** — 2809 Race St., P. O. Box 7303, Fort Worth 11, Tex.

Marshall Field & Co., Chicago, Ill. (1/11)
Dec. 19 filed 150,000 shares of 4½% cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp., New York. **Proceeds**—To retire bank loans.

★ **Master Implement Co., Collegeville, Pa.**
Dec. 29 (letter of notification) 2,549.54 shares of preferred stock (par $100) to be offered to 12 stockholders. **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To Ezee Flow Corp., the selling stockholder. **Office**—Third and Walnut Streets, Collegeville, Pa.

McKesson & Robbins, Inc., New York
Dec. 5 filed 100,000 shares of common stock (par $18) to be offered under an "executive stock purchase plan" to employees of company and its subsidiaries. **Price**—Based on market (about $40 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective Dec. 26.

Merchants Petroleum Co., Inc.
Dec. 17 (letter of notification) 4,000 shares of common stock (par $1). **Price** — At market (approximately 65 cents per share). **Underwriter**—Akin-Lambert & Co., Los Angeles, Calif. **Proceeds**—To R. Wayne Hudelson, the selling stockholder. **Office**—639 So. Spring Street, Los Angeles 14, Calif.

Metals & Chemicals Corp., Dallas, Tex.
Nov. 26 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—Beer & Co. and Binford, Dunlap & Reed, both of Dallas, Tex.; Carlson & Co., Birmingham, Ala., and Stuart Wyeth & Co. of Philadelphia, Pa. **Proceeds**—To purchase and install mill and for mining equipment and working capital. **Offering**—Originally scheduled for Dec. 5, but deferred temporarily. Corporation is considering increasing its financing and is now preparing a full registration statement. Now expected late in January.

★ **Metz Oil Co., Beech Bottom, W. Va.**
Jan. 4 (letter of notification) 250 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To drill wells.

Midwestern Insurance Co., Oklahoma City, Okla.
Dec. 10 (letter of notification) 3,000 shares of preferred stock to be offered to present stockholders. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For increased capital.

Mitchell (Harry) Brewing Co. (1/16)
Dec. 12 filed 99,500 shares of common stock (par $1). **Price**—$6 per share. **Underwriters**—Russ & Co., Inc., San Antonio, Texas, and Harold S. Stewart & Co., El Paso, Texas. **Proceeds**—To certain selling stockholders.

Moore International Television, Inc., N. Y.
Dec. 5 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For production of films for television presentation and general working capital. **Office** — 20 East 53rd Street, New York, N. Y. **Offering**—Expected in January.

Muntz TV, Inc., Chicago, Ill.
Nov. 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (approximately $2.87½ per share). **Underwriter**—John R. Kauffmann Co., St. Louis. Mo. **Proceeds**—To Earl W. Muntz, the selling stockholder. **Office**—1735 West Belmont Ave., Chicago, Illinois.

Nevada Oil & Gas Co., Reno, Nev.
Dec. 6 (letter of notification) 48,350 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds** — To purchase drilling equipment. **Office**—304-305 Clay Peters Building, 140 N. Virginia Street, Reno, Nev.

★ **Nevada Rawhide Mining Co., Cheney, Wash.**
Jan. 5 (letter of notification) 400,000 shares of common stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To develop mining properties. **Office**—430 Main Street, Cheney, Wash.

Nevada Uranium Co., Lovelock, Nev.
Dec. 24 (letter of notification) 230,160 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For machinery and equipment. **Address**—P. O. Box 653, Lovelock, Nev.

New Britain Machine Co. (1/18)
Jan. 2 filed 70,000 shares of common stock (no par) to be offered to common stockholders of record Jan. 18 at rate of one share for each two shares held. **Price**— $20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Business**—Manufacture of multiple spindle automatic screw machines, etc.

★ **Northeastern Gas Transmission Co.**
Jan. 3 (letter of notification) $300,000 of contributions by participating employees in the company's Thrift Plan. **Underwriter**—None.

Nu-Enamel Corp., Chicago, Ill.
Nov. 8 (letter of notification) $220,000 of 5% convertible notes, dated Dec. 1, 1951, and due Dec. 1, 1959. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—444 Lake Shore Drive, Chicago, Ill.

Pacific Gas & Electric Co.
Dec. 26 filed 163,986 shares of 5% redeemable first preferred stock, series A (par $25) to be offered to employees. **Price**—$24.50 per share, of which $23.50 per share is to be paid through payroll deductions under the Employees' Stock Purchase Plan. **Underwriter**—None. **Proceeds**—For new construction.

Pacific Power & Light Co. (1/22)
Dec. 21 filed 552,792 shares of common stock (no par), of which 200,000 shares are for account of company and 352,792 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers; Union Securities Corp.; Bear, Stearns & Co.; and Dean Witter & Co. **Proceeds**—From sale of 200,000 shares, to be used for property additions and improvements.

★ **Parker Animal Agency, Inc., Reno, Nev.**
Jan. 2 (letter of notification) 200,000 shares of common stock. **Price** — $1 per share. **Underwriter**—None. **Proceeds** — For construction and advertising. **Office** — 139 North Virginia St., Reno, Nev.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price** — To be supplied by amendment **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

★ **Pennsylvania Power Co. (2/5)**
Jan. 4 filed $6,000,000 of first mortgage bonds Feb. 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. and Blair, Rollins Co., Inc. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); Stroud & Co., Inc. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—From sale of bonds, and from sale to parent, Ohio Edison Co., of 80,000 shares of common stock for $2,400,000, to be used for Pennsylvania's construction program. **Bids**—To be received up to 11 a.m. (EST) on Feb. 5 at office of Commonwealth Services, Inc., 20 Pine St., New York 5, N. Y.

Pennsylvania Salt Mfg. Co.
Nov. 7 filed 88,497 shares of common stock (par $10) offered in exchange for common stock of Sharples Chemicals Inc. on basis of 5.15 shares of Pennsylvania Salt stock for each Sharples share (conditioned upon deposit for exchange of at least 13,748 of the 17,184 outstanding shares of Sharples stock; offer will expire on Jan. 21. **Underwriter**—None. Statement effective Dec. 19.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala. **Offering**—Expected early in January.

★ **Piedmont Aviation, Inc., Winston-Salem, N. C.**
Dec. 28 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Kirchofer & Arnold Associates, Raleigh, N. C. **Proceeds**—To underwriter who secured the stock pursuant to an option issued in connection with sale of stock in 1948.

★ **Pine Glen Gas & Oil Co.**
Jan. 2 (letter of notification) 2,800 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To drill three gas and/or oil wells. **Office**—105 No. Spring Street, Bellefonte, Pa.

Pioneer Air Lines, Inc., Dallas, Tex.
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Expected some time in January.

Public Service Co. of North Carolina, Inc.
Dec. 11 filed $2,400,000 three-year interim notes due Jan. 1, 1955 (to be payable at maturity at company's option in an equivalent par value of convertible preferred stock of $25 par, at rate of one preferred share for each $25 principal amount of notes). **Price**—At principal amount (in denominations of $25 each). **Underwriter**—The First Boston Corp., New York. **Proceeds**—To help finance expansion program and company's changeover to natural gas. **Offering**—Expected today (Jan. 10).

Reeves Soundcraft Corp., N. Y.
Dec. 21 (letter of notification) 13,100 shares of common stock (par five cents). **Price**—$2.43¾ per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To Bernard Goodwin, the selling stockholder.

Republic Supply Co. of California
Dec. 28 filed 70,259 shares of capital stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Dean Witter & Co. and Blyth & Co., Inc. **Proceeds**—For expansion program and working capital. **Offering**—Expected toward end of January.

Ritchie Associates Finance Corp.
Sept. 18 (letter of notification) $200,000 of 6% 15-year debentures, dated July 1, 1951, to be issued in multiples of $100. **Underwriter**—Cohu & Co., New York. **Proceeds**—To retire debts and purchase building. **Office**—2 East Church St., Frederick, Md.

★ **Robinson (J. W.) Co., Los Angeles, Calif.**
Jan. 4 filed 100,000 shares of capital stock to be offered on a pro rata basis to stockholders of record Nov. 23, 1951 (approximately 33 in number) for a 30-day period, with an oversubscription privilege. Unsubscribed shares to be sold privately to individuals selected by company.

Continued on page 44

Continued from page 43

Price—At par ($10 per share). **Underwriter**—None. **Proceeds** — For working capital. **Business** — Department store.

Scott Paper Co.
Dec. 28 filed 6,000 memberships in the company's Employees' Stock Purchase Plan for 1952 together with 25,263 shares of common stock (no par) to be purchased under the plan.

Seaboard Finance Co. (1/16)
Dec. 17 filed 175,000 shares of convertible preferred stock (no par), each share to be convertible into 1½ common shares. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For working capital.

Servomechanisms, Inc., Westbury, L. I., N. Y.
Dec. 26 filed 350,000 shares of common stock (par 20 cents), of which 250,000 shares are for the account of the company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—For expansion program and working capital. **Offering**—Expected early in February.

Small Investors Mutual Fund, Inc., N. Y.
Dec. 28 filed 2,000,000 shares of capital stock (par 1¢). **Price**—First at $2.15 per share, then at market. **Underwriter**—Tellier & Co., New York. **Proceeds**—For investment.

★ Southern Bankers Life Insurance Co.
Dec. 28 (letter of notification) $100,000 of 15-year 6% convertible debentures (in denominations of $500 each). **Underwriter**—Howell O. Archard & Co., New York. **Proceeds**—To pay liabilities assumed and for working capital. **Office**—425 South Ervay St., Dallas, Tex.

Southern California Petroleum Corp. (1/28-29)
Dec. 28 filed 112,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($25 per share). **Underwriter**—The First California Co., Inc., San Francisco, Calif. **Proceeds**—To purchase outstanding stock of Culberton & Irwin, Inc., independent oil producer, and for working capital.

Southern Oxygen Co. (1/15)
Dec. 10 filed $1,400,000 of 6% convertible subordinated debentures due Jan. 1, 1962 (convertible on basis of five shares of common stock for each $100 debenture). **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Proceeds**—To repay notes and for working capital.

Southern Utah Power Co., Cedar City, Utah
Dec. 20 (letter of notification) 15,761 shares of common stock (no par) being offered for subscription by common stockholders at rate of one new share for each four shares held Dec. 27; rights to expire on Jan. 11. **Price**—$11.50 per share. **Underwriters** — Smith, Polian & Co., Omaha, Neb.; Glidden, Morris & Co., New York; and C. D. Robbins & Co., Inc., Short Hills, N. J. **Proceeds**—For construction program.

Southwest Lumber Mills, Inc., McNary, Ariz.
Dec. 14 (letter of notification) 3,000 shares of 5% cumulative convertible preferred stock, series A. **Price**—At par ($100 per share). **Underwriter**—The Mondet Corp. **Proceeds**—For working capital.

★ Soya Corp. of America
Dec. 29 (letter of notification) 60,000 shares of common stock (par 1 cent). **Price**—At market. **Underwriter**—None. **Proceeds**—To recondition factory equipment. **Office**—30 Rockefeller Plaza, New York 20, N. Y.

Spear & Co., New York
Dec. 31 filed 9,026 shares of $5 cumulative convertible second preferred stock, (no par), of which 7,526 shares are to be offered to common stockholders for subscription on or before Feb. 29, and 1,500 shares to be sold to a selected group. **Price**—$105 per share. **Underwriter**—None. **Proceeds**—To A. M. Kahn and A. J. Kaminsky, two selling stockholders. **Business** — Furniture store chain.

Specialized Products Corp., Birmingham, Ala.
Sept. 26 (letter of notification) 50,000 shares of common stock. **Price**—$1 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—For operating capital and advertising costs. **Office**—2807 Central Ave., Birmingham 9, Ala.

Texstar Corp., San Antonio, Tex.
Nov. 27 (letter of notification) 10,000 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—Wood, Struthers & Co., San Antonio, Tex. **Proceeds**—To purchase Aztec Ceramics, Inc., and for working capital. **Office**—2409 Transit Tower, San Antonio 5, Tex.

★ Theis Pump & Steel Corp., Clarksburg, W. Va.
Jan. 2 (letter of notification) 1,100 shares of class A preferred stock (par $100) and 711 shares of class B common stock (no par). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For plant machinery and equipment. **Office**—Harvey St., Clarksburg, W. Va.

Toklan Royalty Corp., Tulsa, Okla.
Oct. 11 (letter of notification) 25,000 shares of common stock (par 70 cents). **Price**—$4.50 per share. **Underwriter**—None. **Proceeds**—To purchase for investment 450,000 shares of capital stock of Palmer Stendel Oil Co. **Office**—635-644 Kennedy Building, Tulsa, Okla.

Transgulf Corp., Houston, Tex.
Dec. 3 (letter of notification) 200,000 shares of capital stock (par 10 cents). **Price**—$1.05 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1 Main Street, Houston, Tex.

Uarco, Inc., Chicago, Ill.
Dec. 14 filed 65,000 shares of common stock (par $10). **Price**—$22.50 per share. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—To repay bank loans and for working capital. **Offering**—Expected today.

★ Unexcelled Chemical Corp., N. Y.
Jan. 2 (letter of notification) 5,000 shares of capital stock (par $5). **Price**—At market (last sale price $6.12½ on Dec. 31, 1951). **Underwriter**—Auchincloss, Parker & Redpath, New York, who are the selling stockholders.

United Gas Corp. (1/29)
Dec. 20 filed $50,000,000 first mortgage and collateral trust bonds due 1972. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—To finance in part the 1951-52 construction program of corporation and its subsidiary, United Gas Pipe Line Co. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Jan. 29.

★ United Sales Corp., Upper Marlboro, Md.
Jan. 3 (letter of notification) 9,500 shares of 6% cumulative preferred stock (par $10) and 9,500 shares of common stock (par 2 cents) to be offered in units of 10 shares of preferred and 10 shares of common stock. **Price**—$100.20 per unit. **Underwriter**—None. **Proceeds**—To pay mortgage. **Address**—Box 63, Route 2, Upper Marlboro, Md.

U. S. Oil & Gas Corp., Houston, Tex.
Dec. 20 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—612 M & M Bldg., Houston, Texas.

Van Norman Co., Springfield, Mass. (1/11)
Nov. 21 filed $2,400,000 of 4¾% convertible sinking fund debentures due Dec. 1, 1969. **Price**—100% and accrued interest. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—For machinery and working capital.

Vertientes-Camaguey Sugar Co. of Cuba (Compania Azucerera Vertientes-Cameguey de Cuba)
Nov. 23 filed 481,307 shares of common stock being offered to common stockholders of record Dec. 18, 1951 at rate of one share for each two shares held, with an oversubscription privilege; rights expire Jan. 18. **Price**—At par ($6.50 per share). **Underwriter**—None. **Proceeds**—To reduce short-term indebtedness and for working capital. Statement effective Dec. 12.

Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co.

Vulcan Extension, Inc., Wallace, Idaho
Dec. 13 (letter of notification) 120,000 shares of capital stock (par 20 cents). **Price**—82 cents per share. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Proceeds**—To Callahan Zinc-Lead Co., the selling stockholder. **Co's Address**—P. O. Box 709, Wallace, Ida.

Warner-Hudnut, Inc.
Dec. 12 filed 293,960 shares of common stock (par $1) being offered in exchange for 146,980 shares of Maltine Co. on a two-for-one basis; offer expires on Jan. 29, subject to a 15 days' extension. **Underwriter**—None. (F. Eberstadt & Co. is financial consultant for Warner-Hudnut, Inc.) Statement effective Dec. 28.

West Penn Electric Co. (1/30)
Dec. 28 filed 440,000 shares of common stock (no par) to be offered for subscription by common stockholders on or about Feb. 1 at rate of one share for each eight shares held; rights to expire about Feb. 18. **Price**—To be supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Proceeds**—To be invested in common stocks of three subsidiaries. **Bids**—Expected 11 a.m. (EST) Jan 30.

★ Western Montana Exploration & Development Co.
Jan. 4 (letter of notification) 400,000 shares of capital stock. **Price**—25 cents per share. **Underwriter**—None. **Proceeds**—To construct mine buildings and purchase mill. **Office**—Missoula, Mont.

★ Whitten (J. O.) Co., Inc., Winchester, Mass.
Jan. 4 (letter of notification) 100,000 shares of common stock. **Price**—At par ($2 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—134 Cross Street, Winchester, Mass.

Prospective Offerings

Allied Electric Products, Inc., Irvington, N. J.
Nov. 9, Nathan Chirelstein, Chairman, said it is probable that the company within a short time will register with the SEC an issue of long-term convertible debentures, part of which will be offered in exchange for any outstanding three-year convertible notes dated Nov. 1, 1951. **Underwriter**—Hill, Thompson & Co., Inc., New York.

★ Aluminum Co. of America
Jan. 8 it was reported that company is arranging a financing program to raise around $225,000,000 to help meet the cost of a huge defense expansion program already underway said to amount to about $300,000,000. About one-half of the funds are expected to be obtained from bank loans and the rest will be realized from the public sales of an issue of bonds. **Underwriter**—Probably The First Boston Corp.

Amurex Oil Development Co.
Dec. 6 it was rumored that about 500,000 shares of class A stock may be issued. **Underwriter**—Probably A. G. Becker & Co. Inc., Chicago, Ill.

Arkansas Louisiana Gas Co.
Dec. 6 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

★ Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

Central Louisiana Electric Co., Inc.
Dec. 3 it was announced that company contemplates sale of $2,980,000 of additional debentures (probably privately) and $1,500,000 additional common stock early in 1952 (probably to stockholders through rights), following the merger into company of Gulf Public Service Co., Inc.

Central Maine Power Co.
Dec. 31, W. C. Wyman, President, announced that "additional requirements for 1952, estimated at about $6,000,000, are expected to be obtained by short term bank loans, pending further permanent financing."

Chicago & Western Indiana RR.
June 2 it was reported company expects to issue and sell early in 1952 approximately $65,000,000 of first mortgage bonds due 1981. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market early in 1952 between $25,000,000 and $30,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds will be used for construction program.

Colorado Interstate Gas Co.
Dec. 26 SEC approved a plan filed by Missouri Oil Co. and its holding company subsidiary, Southwestern Development Co. designed to effectuate compliance with the Holding Company Act. This development is expected to result in early registration of Colorado Interstate Gas Co. common stock, with Union Securities Corp. as probable underwriter.

Columbia Gas System, Inc.
Nov. 26 it was announced that it is the present intention of the company to sell securities in 1952 for the purpose of refunding the $20,000,000 of 2½% bank notes due June 15, 1952. The type or aggregate amount of securities which may be sold during 1952 cannot be determined at this time.

Columbus & Southern Ohio Electric Co.
Dec. 21 it was announced company contemplates expenditures of at least an additional $50,000,000 through 1953 to meet the demand for electric service. Further financing is planned.

★ Consolidated Edison Co. of New York, Inc.
Jan. 2 company announced its plans to spend about $105,000,000 for new construction during 1952, of which it is proposed to raise $65,000,000 from new financing. It is presently borrowing $31,000,000 from banks. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

★ Consolidated Engineering Corp.
Dec 27 it was reported company may do some additional financing in 1952. Blyth & Co., Inc. underwrote common stock offering last December.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction. **Offering**—Expected in March or April.

Cott Beverage Corp., New Haven, Conn.
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par $10) each share to carry a bonus of common stock. **Under-**

writer — Ira Haupt & Co., New York. **Proceeds** — For expansion program.

County Gas Co., Atlantic Highlands, N. J.
Nov. 15 it was announced company will pay about $15,000,000 for the gas properties of Jersey Central Power & Light Co. Method and type of securities to be sold to finance this purchase not yet determined.

Eastern Stainless Steel Corp.
Oct. 25 the stockholders approved a proposal increasing the authorized capital stock to 750,000 shares from 500,000 shares, of which 420,000 shares are outstanding. Additional shares may be issued to stockholders, and the proceeds used for expansion. Traditional underwriter: J. Arthur Warner & Co. Inc., New York.

★ Erie Forge Co. (1/28-31)
Jan. 7 it was expected that company would file registration statement with SEC covering an issue of 150,000 shares of common stock (par 10 cents). **Price**—To be supplied later. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., New York. **Proceeds**—To retire outstanding preferred stock and for working capital.

Foote Bros. Gear & Machine Corp.
Oct. 25 it was reported that company may offer additional common stock early in 1952. Probable underwriter—A. C. Allyn & Co., Inc., Chicago, Ill.

Foote Mineral Co.
Dec. 24 it was announced company plans to increase authorized common stock from 300,000 shares (259,422 shares outstanding) to 500,000 shares of $2.50 par value. The company states that "there is no present plan of capital financing either of an equity type or loan." The directors, however, "are studying several plant expansion programs which may eventually require more capital." A group headed by Estabrook & Co. underwrote an issue of common stock to stockholders in April, 1951.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares recently offered. **Underwriter** — None. **Proceeds** — For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson St., Philadelphia 33, Pa.

Idaho Power Co.
Dec. 14 company applied to FPC for authority to borrow from banks up to a total of $15,000,000 during the first seven months of 1952. Of this amount, $10,225,000 would be required for interim financing of new construction during 1952. The balance would be used, if required prior to the time of permanent financing, to renew temporary bank loans outstanding.

Illinois Central RR.
Nov. 16, the directors authorized, pending a favorable market, the issue and sale of up to $25,000,000 of consolidated mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds** — To retire debt maturing in next four years and to replace depleted working capital.

Interstate Power Co.
Nov. 28 it was reported company plans to issue and sell about $2,000,000 of first mortgage bonds and $3,000,000 of common stock before April 15, 1952. **Underwriters**—To be decided by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Iowa Southern Utilities Co.
Nov. 14 it was announced company plans to issue and sell in the near future first mortgage bonds and contemplates sale of approximately $5,000,000 additional securities in 1953. Previous bond financing was done privately. **Proceeds** from bond sale, to repay $7,000,000 bank loans.

Jamaica Water Supply Co.
Dec. 3 it was stated that company has applied to New York P. S. Commission for authority to issue and sell $1,200,000 of first mortgage bonds (probably privately) and approximately 13,600 shares of common stock. Approximately $200,000 of stock will be sold the first week in February and an additional $100,000 is slated after March 20. **Traditional Underwriter**—Blyth & Co., Inc.

★ Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 of additional first mortgage bonds (this is in addition to present contemplated preferred and common stock financing—see SEC filing of Jan. 3 above). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Kentucky Utilities Co.
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

★ Keyes Fibre Co.
Jan. 9 company announced that it plans to issue $2,500,000 of new bonds, subject to approval of stockholders on Jan. 21. **Underwriter**—Probably Coffin & Burr, Inc., Boston, Mass. **Proceeds**—To refund $1,988,999 outstanding first mortgage bonds and to provide additional capital for increased production capacity.

Laclede Gas Co.
Nov. 10 it was announced company has requested Mississippi River Fuel Corp. to dispose of its Laclede Gas Co. (248,400 shares, or 8.2% of total 3,039,860 shares outstanding). Latter has appealed to Missouri P. S. Commission and the SEC.

Lehmann (J. M.) Co., Inc., N. J. (1/30)
Bids will be received up to 11 a.m. (EST) on Jan. 30 at the office of Alien Property, 120 Broadway, New York 5, N. Y., for the purchase from the Attorney General of the United States of 1,225 shares of capital stock (par $100) of this company. This constitutes 84.19% of the issued and outstanding capital stock.

Marathon Corp.
Dec. 27 it was announced stockholders on Jan. 18 will vote on increasing the authorized common stock from 1,300,000 shares (all outstanding) to 4,000,000 shares, par $6.25 per share. Following proposed issuance of one additional share for each share held (a 100% stock distribution), 400,000 shares will be sold to underwriters if satisfactory underwriting arrangements can be made, according to D. C. Everest, President. Lee Higginson Corp., New York, handled previous underwriting. **Registration**—Expected in January, with offering in February.

Martin (Glenn L.) Co.
Dec. 13 it was announced that Smith, Barney & Co., New York, has been appointed as the company's financial advisers to work out a plan to help finance a backlog of $425,000,000.

Mengel Co.
Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from $15,000,000 to $20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

Merritt-Chapman & Scott Corp.
Oct. 23 it was announced stockholders will vote Jan. 15, 1952 on approving the creation of an authorized issue of 100,000 shares of convertible preferred stock (par $50). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Proceeds**—For expansion program.

Metropolitan Edison Co.
Dec. 11 it was reported company is considering a $16,000,000 financing program for early in 1952, which will include issue and sale of 40,000 shares of preferred stock (par $100) and about $8,000,000 of bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp.; Drexel & Co.; The First Boston Corp.; White, Weld & Co. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. Probable bidders for preferred—Kidder, Peabody & Co.; Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. **Offering**—Expected at end of February or the middle of March.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Midway Airlines, Inc.
Dec. 15 it was announced Illinois Commerce Commission has authorized issuance and sale of 87,200 shares of common stock (no par). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Mississippi Valley Gas Co.
Nov. 19, it was announced that subject to approval of SEC and FPC Equitable Securities Corp. has agreed to purchase the natural gas properties of Mississippi Power & Light Co. for approximately $11,000,000, effective about Jan. 1, 1952. It is planned to organize Mississippi Valley Gas Co. to operate these properties and later expects to issue and sell first mortgage bonds and common stock, following final approval by the Commissions.

★ Narragansett Electric Co.
Jan. 7 it was announced company contemplates that $7,500,000 of note indebteness will be permanently financed with bonds in or about March, 1952. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers; White, Weld & Co.

National Union Radio Corp.
Nov. 29, Kenneth C. Meinken, President, announced company plans to raise more than $5,000,000 of "new money" through sale of stock or from loans. **Proceeds**—For expansion program, involving a new plant to be constructed in Philadelphia. **Underwriter**—Probably Collin, Norton & Co., Toledo, O. **Registration**—Expected in two months.

New England Power Co.
Dec. 12 company applied to SEC for authority to increase authorized bank borrowings from $12,000,000 to $16,000,000. A major portion of this indebtedness may be financed through issuance of common stock to parent (New England Electric System) and first mortgage bonds early in 1952. **Underwriters** — For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

★ New York Central RR.
Jan. 7 it was stated company may be in the market soon with substantial equipment trust certificate offerings. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler

Northern Natural Gas Co.
Nov. 16 it was reported that permanent financing is not expected to be concluded until 1952 (probable in January or February) to repay $42,000,000 of bank loans and to provide additional funds for company's construction program. This financing may consist of about $32,000,000 of debentures and $18,000,000 of common stock. Latter may be offered to common stockholders, without underwriting. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

Northern States Power Co. (Minn.)
Oct. 25 it was announced company estimates that approximately $32,500,000 of new money will be required to finance its construction program for 1951 and 1952 through the sale in 1952 of common stock, and senior securities. Probable bidders for stock and bonds: Smith, Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Olsen, Inc., Elyria, O.
Oct. 19 it was reported early registration is planned of about 225,000 shares of common stock. **Underwriter**—McDonald & Co., Cleveland, O. **Proceeds**—To certain selling stockholders. **Business**—Manufactures hot air furnaces. **Offering**—Expected in January.

Owens-Corning Fibreglas Corp.
Dec. 7 it was reported that early registration was expected of between $15,000,000 and $20,000,000 common stock, part of which will be additional financing by company and part for benefit of Corning Glass Works and Owens-Illinois Glass Co., which each own 42% of the outstanding Fibreglas common stock. Probable underwriter: Goldman, Sachs & Co., New York. **Registration**—Expected in January.

Pacific Power & Light Co.
Dec. 28 company applied to Federal Power Commission for authority to issue and sell $12,500,000 of first mortgage bonds to a group of institutional investors. Proceeds would be applied to construction program, including the Yale hydroelectric project on the Lewis River in Washington.

★ Pennsylvania RR.
Jan. 7 it was stated that company may be in the market soon with substantial equipment trust certificate offerings. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Public Service Electric & Gas Co.
Dec. 7 it was announced stockholders will on Jan. 17 vote on approving a proposal to increase the amount of authorized preferred stock from 500,000 to 1,000,000 shares and to increase the limit of unsecured indebtedness. There are, however, no present plans for additional financing. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100), thus exhausting the amount of presently authorized preferred stock.

★ Raytheon Manufacturing Co.
Dec. 28 it was reported that early registration is expected of about $3,500,000 of new securities. **Underwriters**—Hornblower & Weeks and Paine, Webber, Jackson & Curtis.

Robertson (H. H.) Co., Pittsburgh, Pa.
Nov. 16 it was announced stockholders will in April, 1952, vote on a proposal to increase the authorized common stock from 250,000 shares (all outstanding) to 1,000,000 shares in order to make additional stock available for such corporate purposes as acquisition of new properties, to provide additional capital funds or declaration of stock dividends.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately. July 18, it was reported that the company expects to raise money through the sale of some preferred stock late in 1951. **Underwriter** — Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

San Diego Gas & Electric Co.
July 19, L. M. Klauber, Chairman, announced that the company plans to sell $10,000,000 of bonds early in 1952.

Continued on page 45

Continued from page 45

Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Proceeds**—For expansion program.

Schering Corp.
Jan. 5 it was reported that the sale of the company's entire common stock issue (440,000 shares) was expected some time in February. The sale will be made to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp: Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co. **Registration**—Expected before Jan. 31.

South Jersey Gas Co. (1/10)
Dec. 21 the United Corp. asked for bids up to 11 a.m. (EST) on Jan. 10 for the purchase from it of its entire interest, amounting to 28.3%, or 154,231.8 shares of $5 par South Jersey common stock. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Allen & Co.

Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold recently. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part or market conditions existing from time to time and may include temporary bank loans.

★ **Southern Ry. (2/20)**
Bids will be received on Feb. 20 for the purchase from the company of $6,000,000 equipment trust certificates to be dated March 15, 1952 and due in 30 equal semi-annual installments from Sept. 15, 1952 to March 15, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly).

Southern Union Gas Co.
Dec. 19 it was reported company is expected to do some equity financing before June 30, 1952. Traditional underwriter: Blair, Rollins & Co.

Southwestern Public Service Co. (2/1)
Dec. 10, H. L. Nichols, Chairman, announced company plans to raise about $4,000,000 through an offering about Feb. 1 of additional stock for subscription by common stockholders at rate of one share for each 13 or 14 shares held. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of stock, together with funds from $10,000,000 bank loans or long-term debt, to be used for 1952 expansion program. It is anticipated that about $16,000,000 will be raised in 1952 from the sale of securities. **Registration**—Tentatively scheduled for Jan. 11.

Texas Gas Transmission Corp.
Dec. 6 company applied to FPC for permission to construct additional natural gas pipeline facilities at an estimated cost of $33,752,705. It is planned to finance project through sale of first mortgage bonds and other securities and from cash in treasury. **Underwriter**—Bonds may be placed privately. Previous preferred stock financing was handled by Dillon, Read & Co. Inc.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Texas Utilities Co.
Sept. 24 it was reported company may issue and sell around 400,000 additional shares of common stock early in 1952. Probable bidders: The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Thiokol Corp., Trenton, N. J.
Nov. 16 directors authorized an offering to stockholders of about 23,539 shares of capital stock (par $1) on basis of one new share for each 13 shares held (with an oversubscription privilege). **Price**—$9 per share. **Underwriter**—Probably J. G. White & Co., Inc., New York. **Proceeds**—For expansion and working capital.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co. (jointly).

Transcon Lines, Los Angeles, Calif.
Nov. 19 it was reported company may be considering issuance and sale of additional common stock (par $10) which will involve about $200,000. **Underwriter**—Cruttenden & Co., Chicago, Ill.

Upstate Telephone Corp. of New York
Dec. 10 corporation applied to New York P. S. Commission for authority to issue $1,000,000 first mortgage bonds (probably privately) and 4,000 shares of common stock (par $100) to General Telephone Corp., the parent.

Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. The company is said to be considering a stock issue next spring and a bond sale in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

West Penn Power Co. (4/1)
Dec. 28 it was announced company plans to offer $12,000,000 of first mortgage bonds early in 1952, probably in March. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co.; The First Boston Corp. **Proceeds**—For construction program. **Registration**—Tentatively scheduled for Feb. 28. **Bids**—Expected to be opened April 1.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp. President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch Pierce, Fenner & Beane; Shields & Co

NSTA Notes

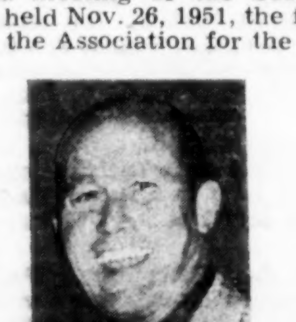
SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold its 16th annual dinner at the Waldorf Astoria Hotel Friday evening, April 18. Dinner tickets are $14 per person; dress is informal. The arrangements committee under the direction of Thomas Greenberg, C. E. Unterberg & Co., have promised extraordinary plans for the affair.

Hotel reservations may be made with Salvatore J. Rappa, F. S. Moseley & Co. Dinner reservations with Bernard Weissman, Siegel & Co.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

At a meeting of the Security Traders Association of Los Angeles held Nov. 26, 1951, the following new officers were elected to serve the Association for the year 1952:


A. W. McCready, Jr.


Tim D. Spillane

President: A. William McCready, Geyer & Co. Inc.
Vice-President: Timothy D. Spillane, J. A. Hogle & Co.
Secretary: Homer Wessendorf, Jr., William R. Staats & Co.
Treasurer: Frank Link, Harris, Upham & Co.

Board of Governors: Robert D. Diehl, Paine, Webber, Jackson & Curtis; Charles R. Livingstone, Crowell, Weedon & Co.; Donald E. Summerell, Wagenseller & Durst, Inc.

With Edward E. Mathews

(Special to The Chronicle)

BOSTON, Mass. — George S. Turner is now affiliated with Edward E. Mathews Co., 53 State Street.

First Boston Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Judson B. Curtis has been added to the staff of The First Boston Corporation, 75 Federal Street.

$50 Million California Bonds Marketed

Bank of America N.T. & S.A. and associates are offering $50,000,000 State of California 4%, 1½% and 1¾% bonds at prices to yield from 1.05% to 1.90%. The offering consists of $25,000,000 Veterans' Bonds, Act of 1949, series C, maturing Aug. 1, 1953 to 1972, inclusive, and $25,000,000 State School Building Bonds, series D, maturing Nov. 1, 1953 to 1977, inclusive.

Associated with Bank of America N.T. & S.A. in the offering, among others, are: The Chase National Bank; The National City Bank of New York; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Harris Trust and Savings Bank; R. H. Moulton & Co.; American Trust Co., San Francisco; Glore, Forgan & Co.; C. J. Devine & Co.; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Weeden & Co.; The First National Bank of Portland, Ore.; Seattle-First National Bank; Security-First National Bank of Los Angeles; California Bank, Los Angeles.

Also: Dean Witter & Co.; William R. Staats & Co.; Equitable Securities Corp.; Reynolds & Co.; J. Barth & Co.; B. J. Van Ingen & Co. Inc.; Coffin & Burr Inc.; A. C. Allyn & Co Inc.; Harris, Hall & Co. (Inc.); Heller, Bruce & Co.; Bache & Co.; Barr Brothers & Co.; Kaiser & Co.; A. G. Becker & Co. Inc.; Ira Haupt & Co.; Hayden, Stone & Co.; G. H. Walker & Co.; Bacon, Whipple & Co.; F. S. Smithers & Co.; Shearson, Hammill & Co. and Trust Company of Georgia.

Leonard Fertig Adds

(Special to The Financial Chronicle)

FT. WAYNE, Ind.—William B. Middendorf is with Leonard J. Fertig & Co., Berry at Court Street, members of the Midwest Stock Exchange.

Our Reporter's Report

With the year-end holidays out of the way, the underwriting fraternity is getting back to work and finding things looking considerably brighter than in the fading weeks of the old year.

This week's operations removed any lingering doubt as to the availability of funds seeking investment. Both debt securities and equities brought to market encountered decidedly good reception.

And what was even more encouraging, several issues which looked rather sour during initial marketing efforts a fortnight ago, and on which the syndicates had decided to cut loose, have been turning in good accounts of themselves.

Long Island Lighting's new issue has not been doing so well, but Virginia Electric's and Niagara Mohawk, according to dealers are not being pressed and are holding remarkably well.

Meanwhile it was learned that Philadelphia Electric's $35,000,000 of 30-year first and refunders were snapped up with the opening of subscription books. A negotiated offering, it was indicated that if your order was not in early you were just out of luck.

In fact, it was evidence that some people who were short in anticipation of goodly allotments now find themselves doing a little sweating.

Kaiser Aluminum & Chemical

Equities properly set up still appear to carry the greatest attraction for the average investor. Yesterday's offering of 375,000 shares of 5% cumulative preferred stock, $50 par, of Kaiser Aluminum & Chemical Co. spelled this out.

Bankers were swamped with orders for this particular issue, and it was apparent that there would have to be considerable scaling down of allotments by the offering group.

The success of this operation had been foreshadowed by a tremendous preoffering inquiry and it was indicated that subscriptions would run between five and six times the total offered.

Reinvestment a Factor

This is the time of the year when reinvestment demand is a weighty factor in all markets. Evidently this element in the situation is a bit more potent than in recent years at the moment.

Presumably there was more than the usual accumulation in the closing months of 1951 as developments of the time tended to make investors, institutional as well as individuals, more than a little wary.

But idle money doesn't earn its keep, and it is apparent that holders of cash are becoming a bit more courageous in their quest of income. There is an ample supply of new securities backed up for offering once conditions simmer down.

Big Aluminum Issue Due

Although details are not immediately available, it is indicated that Aluminum Co. of America will register shortly with the Securities and Exchange Commission for extensive new financing.

Reports indicate the big company will ultimately seek some $225,000,000 of new capital through the sale of new debt securities authorized by stockholders early last year.

Financing is necessary to provide for the huge defense expansion program being undertaken by the company.

Meanwhile it was indicated that public offering of Marshall Field's 150,000 shares of new preferred stock is getting hotter.

Continued from page 8

Dealer-Broker Investment Recommendations and Literature

Lockheed Aircraft — Bulletin — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Magma Copper.**

National City Bank of New York-City Bank Farmers Trust Co. —1951 "Report to Shareholders" — National City Bank, 55 Wall Street, New York 15, N. Y.

Public Service Electric & Gas — Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Puget Sound Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available are reviews of **New York, Chicago & St. Louis** and **Southern Pacific**, and an analysis of portfolio changes of the **Lehman Corporation.**

Quaker Oats Company — Analysis — Lee Higginson Corporation, 231 South La Salle Street, Chicago 4, Ill.

Republic Natural Gas Co. — Memorandum — First Southwest Co., Mercantile Bank Building, Dallas 1, Tex.

Safeway Stores — Review — Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Time, Inc.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Transamerica Corp. — Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

U. S. Thermo Control—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**

Continued from page 8

Loss of the Free Market

executive in the communications and transportation equipment field is attempting to force all his countrymen to abandon the free market.

Such positions of power are doubtless accepted with good intentions, but intentions do not determine the consequences of one's acts here, any more than for the innocent murder of a friend because of not knowing that the gun was loaded. The hypocrisy is there just the same, for one who professes a faith in the free market. Realizing this, it is one's individual obligation to refrain from the "honor" of "public service" in this sort of hypocrisy, and to refrain from doing homage to those who are practicing it. If homage there must be, let it be showered instead on persons like Mr. Donald R. Richberg, who in the early thirties was engaged in a tremendous effort to control prices, and who now says: "In retrospect I can only explain, as did the man who threw a champagne bottle into the chandelier, that it seemed to be a good thing to do at that time."

Emergencies Not the Time for Weakness

I realize full well the contention that these seemed to be times of emergency, when the free market seemed unable to take care of the situation. In answer, I would only repeat my underlying assumptions and observe that if these are truly our rights, they are likewise justice; that justice is strength, not weakness; that it is in an emergency, of all times, that the strength of justice is most needed. What is good need not be rationed, if we can have it all the time. There is no more sense in arguing for weakness in an emergency than there is in arguing that an engineer should lay aside the rules of strength on constructing a bridge to be used for the emergency of a heavy load. One who believes that there is strength in violating the free market must believe that in control there is strength and justice. And if he believes that, why does he not advocate the same measures for all time, not alone in emergencies?

It must be that the proposal of violating the free market during emergencies really stems from the belief that the free market is somehow immoral—that whatever can be said for the free market economically, there is somehow a moral virtue in its violation during emergencies. On the contrary, the free market is both economic and moral. Its abandonment is both uneconomic and immoral, and therefore constitutes a weakness when strength is most needed.

If the consumer is to be king under the rights of free men, nobody else can be crowned king over prices and the market — **nobody, at any time.** Each person must be king over his own domain, because overlapping ownership and rule is an impossibility, even in an emergency.

Regaining the Free Market

How, then, is freedom of the market to be regained?

I like very much the concept in Patrick Henry's famous remark: "I know not what course others may take, but as for me. . . ." It is my clear responsibility to so conduct myself that there is no avoidable conflict between what I profess to believe and how I conduct myself. And if there be anyone who should care to know the reasons for my belief and conduct, it is of course my privilege to try to explain them as best as I can.

If we are engaged in some national error, like violating the rights of free men in the market place, it is because of our individual errors. A nation does not err, it is the people who err. And the collective error is no more and no less than the summation of individual errors. My part of that problem, then, is my own conduct.

First, in order to clear my view from all these confusing details of problems that confront us, I must understand how freedom is not a thing to be created. It is something inherent in man, because he is created in harmony with the basic rights of free men. Even the small child evidences this innate harmony with freedom, as all of us know who have watched children assert their individuality.

Freedom exists naturally in the absence of man-made restrictions or violations of rights under freedom. In this sense, it is like water which will flow along an incline unless barriers are placed in its way. All that need be done is to let freedom reign.

Viewed in this light, then, my part of the task of regaining the free market is simply to do everything within my power to remove the unfreedoms—the barriers to freely exchanging what is rightfully each person's own property, at a rate of exchange mutually agreeable to the two parties to the deal. No third person shall be allowed any right to intercede in the exchange, or to prohibit it, or to dictate its terms; and if he does so, he is practicing the moral equivalent of theft and murder, and deserves to be dealt with correspondingly. If, in so doing, I would feel more comfortable with some moral guide from a source of recognized standing, it can be found in Matthew 20:15, which proclaims: "Is it not lawful for me to do what I will with mine own?"

But just where shall I take hold of the problem? What, specifically, are the obstacles to a free market now existing in the form of laws, or administrative rulings having the power of law, or practices condoned by lawmakers and their hired agents under protection of the equivalent of law?

I hesitate on this occasion to even begin to deal with specifics. To illustrate, I have brought with me as an exhibit two sources of information which illustrate the nature of the problem:

(1) Here are two mail order catalogues, representing the free market. Together, these two companies last year handled about $3¾ billion of orders. You are familiar with the use of these catalogues. In them you will find most any item you want, from pins to insurance—and soon automobiles. If you don't want something they offer for sale, the solution is simple—you don't order it.

(2) Here are some catalogues of another sort, which are outside the free market—the budgets of various governmental units. Their goods and services are supplied under a self-grant of monopoly, with bills for the costs being sent to users and non-users of its services alike, and with the bills payable under compulsion of law. If you do not want something in their kit of offerings, its rejection is not so simple. You must arrange to have it removed from the catalogue completely, so that not even those who want it can get it there. This requires power enough to control government. But to do this you must be able to plead your case convincingly, which means studying the whole thing to learn the business and its parts. Suppose you start in on the Federal budget, and decide to devote one working hour to each $1,000,000 of their budget (which is far less careful scrutiny than your wife gives to her spending); you would finish the study of this one year's Federal government appropriations in about the year 2000. Then you would be ready to start studying the other governmental budgets which affect you — State, City, County, etc. There are some 30,000 other governmental units in the United States.

This illustrates, I believe, why I hesitate to start now the listing of details. The governmental budgets, which affect me comprise something over 3,000 pages of detailed figures.

What I am confronted with is a matter of choice, then, between moral law and statutory law—a choice which no one of us can escape. Isn't it a strange paradox that when government, the presumed servant of the people and guardian of their liberty, removes the right of free choice from the citizens, it automatically creates another unavoidable choice—the choice between being immoral or being illegal. If I choose the one, I can be at peace with my conscience and my God, but I will be at war with my political rulers. If, on the other hand, I choose the other, I may be at peace with my ruler, but I will be at war with my conscience and what I believe to be right and good.

The choice is not an easy one, but having to make it is the price we must now pay for our past sins in relinquishing the rights of free men. Perhaps this is what Emerson had in mind when prophetically he said, in his famous essay on "Politics": "Every actual State is corrupt. Good men must not obey the laws too well."

Perhaps this is what Patrick Henry had in mind when he said: "Is life so dear or peace so sweet as to be purchased at the price of chains and slavery? Forbid it, Almighty God! I know not what course others may take; but as for me, give me liberty or give me death!"

Perhaps this is what our forefathers nearly two centuries ago had in mind when, in these historic environs, they dumped tea into the ocean and otherwise openly defied an unjust and immoral rulership. We are faced with an equally serious plight now. I hope, however, that in its solution we shall not be confronted as they were with conflict in bloody violence. There is a peaceful solution—the educational solution of individual action guided by understanding—provided we are capable enough to accomplish the feat that way.

FIC Banks Place Debs.

A successful offering of an issue of debentures of Federal Intermediate Credit Banks was made Dec. 18 by Macdonald G. Newcomb, New York fiscal agent for the banks. This financing consisted of $101,985,000 of 2.20% consolidated debentures dated Jan. 2, 1952, and due Oct. 1, 1952. The proceeds, together with $1,470,000 cash in treasury, were used to retire $103,455,000 of debentures maturing Jan. 2, 1952. A total of $5,575,000 additional debentures maturing on latter date had previously been retired.

As of the close of business Jan. 2, 1952, the total amount of debentures outstanding amounted to $669,510,000.

Joins Tifft Bros.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Kissag A. Baronian is with Tifft Brothers, 1378 Main Street, members of the New York and Boston Stock Exchanges.

B. C. Christopher Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Alexander J. Woolridge is with B. C. Christopher & Co., Board of Trade Building, members of the Midwest Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—While it is too early to be positive, the tentative outlook is that the SEC as in every year since 1940, will fail to pull any new legislation out of Congress this year.

The Heller subcommittee was scheduled, at this writing, to have held three days of executive hearings as an appetizer for its inquiry into SEC. This does not, however, indicate any foreseeable legislation. There is little word yet as to what may or may not come out of the inquiry, or how long it will continue. The members of the SEC were scheduled to talk in private to the members of the subcommittee.

There are three main pieces of legislation which the SEC wants out of Congress.

Probably foremost of these is the Frear bill. This bill would require all corporations (with some exceptions) with assets of $3,000,000 apiece or 300 stockholders, to register with the SEC and to divulge certain information allegedly for the purpose of protecting present or prospective investors in these companies.

The big fight, of course, will be over what corporations shall be exempt. Tentatively, banks are exempt, having already some substantial supervision from the Federal Government, and no existing agency is any more anxious to share supervision with an interloper than your pet cat is to share its food with a strange feline.

Senator J. Allen Frear, Jr., Chairman of the Securities subcommittee of the Senate Banking Committee, hopes to schedule some hearings on this bill. Senator Frear's own subcommittee may have one or two minor pieces of FDIC legislation also to deal with, plus what, if anything, shall be done in the way of conjuring a scheme of war damage insurance or indemnities. Frear may get some hearings going, but in no time, flat, the whole Banking Committee will be engrossed in the recurring headache of materials, wage, and price controls involved in the extension of the Defense Production Act.

SEC also would like Congress to pass an amendment to the Investment Advisers Act of 1940. The amendment would give the SEC what it terms "visitation powers" over investment advisers. SEC has offered this proposition to Congress for five or six years, with no resolution thereon from Capitol Hill.

Finally, SEC has amendments to the Securities Act of 1933 relating to the registration and prospectus requirements.

While the Heller subcommittee of the House Interstate Commerce Committee is set up to take an inspection tour of SEC business, the full Interstate Commerce Committee has got several previous engagements which would preclude for an indefinite period the consideration of any SEC amendments, even if originated soon by the Heller subcommittee.

* * *

Certain of the rarefied brains in government have patented an invention by which a businessman can get a terrific headache without laying out as much as a buck for a drink of hooch. This is the so-called "input - output" study which earlier this week went to the Budget Bureau for review. It is a statistical nightmare, and all statistical dreams, pleasant or bad, must be cleared with the Bureau before they can be sprung on the American people.

The headache free for nothing would come from listening to any of the economico-statistical boys try to describe what this "input-output" fantasia is supposed to be all about. It's more effective than running around the base of the Washington Monument 100 times at a dog trot.

The basic objective is to try to gather a number of billions of statistics detailed beyond all imagination as to exactly how much each and every industry uses of any and every kind of material, what each and every other industry produces in end items, complete with cost all-around.

When the military plans to raise and equip a force of, say, 3,500,000 men, it is supposed to break down into not merely tanks, guns, ships, aircraft, uniforms, and suspender buttons what its plans will require, but it is also supposed to break this down into steel, aluminum, copper, zinc, yards of textiles, and so on, in great detail.

The idea of the new "input-output" scheme is to break down the operations of the civilian economy in the same way.

The main origin of this dream is with the economic planners, aided and abetted by some statisticians. All these tens of millions of reports from industry would be put through an electronic calculator. The statistics would have no current use, for by the time they were gathered they would be obsolete. Hence this is a method of long-range planning of the economy by means of electronic computation.

This is fully disclosed by the Nov. 14 "interagency memorandum" written by William C. Kruptner, Assistant Administrator of Production and Distribution Controls, Defense Production Administration. This can be found on page 6 of the memorandum, and is clearly spelled out even if you have to wade through both technical jargon and flatulant verbiage. Manly Fleischmann, Defense Production Administrator, Defense Production Administration, Washington 25, D. C., should be the source of a copy of this beautiful memo if you write for it, unless an interagency memo setting the scene for another phase of the planned economy is considered secret and its release detrimental to the security of the U. S.

If it hadn't been for Charles E. Wilson and Manly Fleischmann, however, the "input-output" statistical collecting theory might never have got beyond the rarefied precincts, with the economic planners scheming a way to wangle an appropriation to at least try it out, say, on the bobby-pin and diaper industries.

In view of the mess in which the whole Controlled Materials Plan finds itself, however, the materials controllers are grasping for straws and it is reported that both Wilson and Fleischmann conceive of it as something which might point the way out of the CMP mess, even if they are not personally economic planners.

Even if the Budget Bureau gives the program a go-ahead, however, when Congress gets a whiff of it it is likely to be killed. It is likely to be killed because it represents such an herculean job for industry as to be impossible, in the opinion of industry men who have looked it over.

The serious proposal, however, now pending, is for these enormous statistics to be collected from 450 civilian industries on their 1951 operations. It is estimated that just one automobile company would require 200,000 more square feet of office space to house the clerks collecting this data, if it could find the clerks, plus an untold number of IBM machines, if it could find them, plus expert operators for the latter, if it could find them.

Not a single statistic is available within the auto industry of precisely the type the proposed report would require, but this one company, before it even could get started with the questionnaire, would have to examine and break down 5,000,000 of its records for 1951. For the auto industry as a whole, it is estimated, the manpower cost of collecting statistics for this questionnaire would be $25 million, and would require between nine months and one year's time.

* * *

President Truman's plan for reorganizing the Internal Revenue Bureau, when finally revealed, aroused little enthusiasm among the members of Congress most conversant with the situation.

Against the doubtful benefit of making careerists out of Collectors of Internal Revenue, there is the disadvantage, common to all reorganizations, of creating a new layer of officialdom. This consists of the super-duper new 25 collection agencies. It is rated as a good bet that many present collectors will fall heir to these higher paying jobs while many others will become their deputies.

Whenever some government agency has got into trouble in the last 20 years, there has been a set of three standard "cures" used according to the severity of the agency's troubles.

No. 1 medicine, if the disease of criticism is not far along, is official propaganda to exorcise away the criticism.

No. 2 remedy is a reorganization, as used with RFC, the Internal Revenue Bureau, and countless other agencies.

For the most severe case of the dog house of public criticism, Congress is asked to pass a law. Some of Medicine 3 may still be tried on the Internal Revenue Bureau at a later date.

Whether the reorganization of the Internal Revenue Bureau will be killed by Congress, remains to be settled. The matter of the Bureau and its relationship to the Truman Administration is going to be pushed around in Congress a great deal.

* * *

In connection with the stories that Chief Justice Vinson might be tapped by a Truman later deciding not to run, put this in the margin where you note this speculation: Vinson as whatever the Economic Stabilizer of the time was called, opposed Labor's "first round" of wage increases during the last war. He was vigorously opposed by the miners and railroad workers when he was in the House from Kentucky. This opposition was a factor in interesting him to take office in the Executive branch and quit Congress.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I don't care if Winston Churchill DOES work in bed during the morning—you get down to the office right this minute or you're fired!"

Business Man's Bookshelf

Chill-Cast Tin Bronzes—D. Hanson and W. T. Pell-Walpole—Edward Arnold & Co., 41 Maddox Street, London, W. 1, Eng. — 75 shillings (plus postage).

Farmers Income Tax (on 1951 income, with filled in forms, check lists, and examples)—Samuel M. Monatt—Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill.—paper—$3.00.

First Leftist, The—Dean Russell—The Foundation for Economic Education, Inc. — Irvington-on-Hudson, New York—paper—single copies free of charge; quantity prices on request.

Major State Taxes 1939 and 1950—Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y.—Paper.

Regulations Relating to Foreign Funds Control in the United States—eight supplement—Sw. fcs 3.—plus postage (main work, together with the eight supplements, Sw. fcs 25.—plus postage)—Monetary and Economic Department, Bank for International Settlements, Basle, Switzerland.

Securities Regulation—Louis Loss—Little, Brown & Company, New York City—cloth—$17.50.

Soviet Financial System, The—Mikhail V. Condoide—The Ohio State University, Columbus 10, Ohio—Cloth—$4.

Tin and Its Uses—Periodical review—Tin Research Institute, Fraser Road, Greenford, Middlesex, Eng.—Tin Research Institute Inc., 492 West Sixth Avenue, Columbus 1, Ohio.

Two With Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul G. Brown and Roman Ubakivi have joined the staff of H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.